BANCA NAZIONALE DEL LAVORO
QUARTERLY REVIEW

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The Economic Future of Europe and the EEC (C. Bolaffi) 75
Public Expenditure Analysis and Planning Tools in the Development of Southern Italy (F. Di Palma and A. Milone) [illegible]
from 1951 to 1958 (F. Vinci) [illegible]
of Wholesale Trade Sales Statistics and Estimates (Vito Lo Monaco) [illegible]
[illegible]

ROME

BANCA NAZIONALE DEL LAVORO

HEAD OFFICE: ROME

VIA VITTORIO VENETO, 119

Condensed Statement of Condition, September 30th, 1949

LIABILITIES	(Lire)	ASSETS	
Capital	1,150,000,000	Cash, Balances with Banks & Money at call	57,112,506,834
Ordinary Reserve Fund	1,150,000,000	Investments: Govt. & semi-Govt. Securities & Treasury Bills	25,273,873,342
	2,300,000,000	Investments: Other Securities	648,841,245
Deposits & Current Accounts (Including Balance of Profit & Loss)	185,952,152,875	Contango, Advances on Securities & Loans	102,157.056,080
Cheques in circulation (*assegni circolari*)	10,006,425,464	Bills receivable & Re-discounts	55,879,321,948
Bills for collection	15,742,905,748	Sundry Accounts	1,815,519,308
Guarantees & Acceptances for A/C of Customers	17,470,074,917	Premises	134,238,091
Sundry Accounts	23,722,064,986	Furnitures & Fixtures	1
Staff individual Retirement Accounts	3,740,206,914	Customers' Liability for Guarantees & Acceptances	17,470,074,917
Unearned Discount & other unearned Income	1,557,600,862		260,491,431,766
	260,491,431,766		
Depositors of Securities	35,854,312,659	Securities deposited by Third Parties	35,854,312,659
Accounts guaranteeing special Accounts	11,651,851	Special guaranteed Accounts	11,651,851
Bank's Securities guaranteeing staff Assistance & Retirement Fund	3,640,102,644	Staff Assistance & Retirement Fund-Securities deposited by the Bank as guarantee	3,640,102,644
	299,997,498,920		299,997,498,920

AUTONOMOUS SECTIONS FOR SPECIAL CREDITS

SECTION FOR CREDIT TO MEDIUM AND MINOR INDUSTRIES

Capital and Government Guarantee Fund L. 2,286,044,407

SECTION FOR HOTEL AND TOURIST CREDIT

Aggregate Capital and Reserves L. 376,505,307

SECTION FOR CO-OPERATIVE CREDIT

Capital L. 500,000,000 - Government Guarantee L. 2,000,000,000

SECTION FOR MORTGAGE CREDIT

Aggregate Capital and Reserves L. 250,607,317

SECTION FOR CINEMA CREDIT

Aggregate Capital and Reserves L. 429,001,037

BANCA NAZIONALE DEL LAVORO QUARTERLY REVIEW

Vo. II, No. 10, July-September 1949

SUMMARY

In the opinion of Dr. Carlo Rodanò, author of the article « *The Economic Future of Europe and the ERP* », Europe is experiencing her present difficulties chiefly because she has forfeited the economic, political, and scientific-technological supremacy, that she had over the other Continents prior to 1914, a supremacy which has now passed over to the United States. Two World Wars have accelerated and made more apparent this process which, however, had already started before them. The present European situation is compared to that of large cities that were once capitals and are now obliged to direct their activities on radically different lines to those they were accustomed to. This, *i.a.*, was the case for Vienna after the fall of the Hapsburgs and for Naples after her annexation to the Kingdom of Italy.

The lost of supremacy has been aggravated in the case of Europe by the economic nationalism and the protectionist policies of extra-European countries; but further and yet more dangerous factors will arise in the future as a result of the policy of full employment. Therefore, the author considers with some pessimism the future, and ignores the efforts now being made to find a remedy for the situation along lines of a «-common sense » policy (increase of European exports to the United States, integration of European markets, etc.). Undoubtedly the present inferiority of Europe could be attenuated by a Customs' Union; but the problem has to be faced very cautiously, especially in the case of the so-called « depressed areas » of the Continent, so as to avoid creating situations similar to that of Southern Italy.

Referring to the Marshall Plan, the author notes that it is not without advantages for the United States as it helps them to secure a balance between production and consumption. The United States are beginning to face a problem foreseen by Sismondi in its most extreme form, the problem of selling goods intended for mass consumption but produced by automatic machinery, which does not require labour and therefore does not supply the masses with the necessary purchasing power to pay for it. In theory this problem could only be solved if the management of production were placed in the hands of men actuated by philanthropic motives and not by those of profit. During two centuries the purchasing power of the masses has been steadily rising as result of the rising wages which they have wrung from the entrepreneurs, and consequently the problem referred to has not been of practical importance. But, for some time past, in the United States a change has been coming over the situation as a result of technological progress which has allowed of a rapid increase in labor efficiency. By the free gift of part of their wealth to Europe, the United States, perhaps without fully realising it, have started along the road that may lead to the right solution of this problem. Nevertheless, many Americans are not convinced that it is to their advantage to continue giving ERP help to Europe; in Europe, on the other hand, for reasons that the author examines, difficulties stand in the way of the full utilisation of this help.

Europe might increase her production to a marked extent if she were to give up some traditional ideas to which she is obstinately attached. But she will continue to remain in a condition of instability if she goes on expecting her problems to be solved by some *deus ex machina* such as American intervention.

* * *

In his paper on « *Public Expenditure, Savings and Foreign Loans in the Development of Southern Italy* », Prof. Pasquale Saraceno of the Catholic University of Milan, examines the effects on income, consumption, imports and fiscal receipts of an additional public investment expenditure aiming at raising the economic level of a depressed area. Although this problem is set in general terms, the study refers to the economic depression in Southern Italy, a problem to which the author has been devoting his attention for a number of years.

The paper points out the difference between such a policy of public expenditure and the anti-cycle policy to which up-to-date economic thought usually refers to. The difference lies mainly in the following points: availability of productive factors not matched by an availability of monetary savings; a longer duration of the required State action and the low profitability of public investments.

Notwithstanding this special situation an anti-depression policy may be carried out successfully, particularly if we keep in mind the experience of the war economy.

* * *

In his study on « *Italian Joint Stock Companies from* 1938 *to* 1948 » Prof. Francesco Coppola D'Anna describes: (1) the characteristics and causes of the reduction in the number of joint stock companies over the period considered; (2) the variations in their distribution among the economic groups and over the different regions, both as regards number and capital; (3) the global movement of share capital. It is with this last aspect that the author deals at greatest length, completing the data on nominal capital by an interesting enquiry into its consistency reckoned in « adjusted » lire. The author however is careful to qualify the significance of the results thus reached — which at first sight seem reassuring — by calling attention to losses due to war damages and insufficient upkeep of plant. The great differences between the values as expressed in nominal capital, in « adjusted » lire, and in the stock-exchange quotations revised in different ways, make the identification of the real value of the capital of the share companies very problematic. The author does not gloze this over, but emphasises the doubtful character of such calculations; nevertheless, while he recognises the impossibility of ascertaining the actual loss that may have been suffered, and therefore of ascertaining the degree in which the prices now quoted on the stock-exchanges correspond to the real capital value of the investments, the author, looking forward to a growing flow of savings and to higher share dividends considers that Italian share quotations are likely to rise. (For figures on capital, share prices and yields of the main Italian Companies quoted on Stock Exchanges see *Statistical Appendix*, Table 2).

* * *

Prof. Mario Imperatori in his article on « *The Construction of Wholesale Price Index Numbers and Wholesale Price Trend in Italy, May* 1946-*July* 1949 », analyses the principles used by the Italian Central Institute of Statistics in making the returns and the calculations for compiling the wholesale price index numbers. The enquiry reviews the experience acquired in this matter since 1934-35, and pays particular attention to the difficulties met with and to the expedients adopted to render the new post-war series as uniform as possible with the pre-war series.

The last part of the article, dealing with the trend of Italian wholesale prices from May 1946 to July 1949, calls attention to the sometimes parallel, sometimes contrasting features of the price movements, and underlines the progressive attenuation of the phenomenon of price dispersion, which has become more and more apparent in the first half of this year.

The Banca Nazionale del Lavoro assumes no responsibility for opinions or facts stated by authors whose contributions are published in the present Review.

All communications regarding the Review should be addressed to Banca Nazionale del Lavoro, Ufficio Studi, Roma, Via Vittorio Veneto 119.

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The Economic Future of Europe and the ERP

by

CARLO RODANO'

1. — When the Western powers first started to consider the problem of economic recovery after the war, they were filled with optimism. It was then believed that the Bretton Woods agreements and a few dollar loans would be sufficient not only to re-establish the equilibrium of balances of payments in the various countries, but also to ensure prosperity to the whole world, without economic crises or serious social conflicts. The fact that it was then thought possible to maintain indefinitely the free convertibility of the pound sterling shows the extent of this optimism. In actual fact convertibility had to be abandoned after a few weeks and the difficulties pertaining to recovery revealed themselves as formidable. Needless to say, the situation would have been still more critical had it not been for UNRRA, AUSA and the other measures which had meanwhile been applied. Necessity made it advisable to continue along the same lines and so the Marshall Plan came into being. But now ERP, too, is meeting with difficulties and the world is still far from having regained its equilibrium.

Neo-classical economists have a very simple explanation for all this. In their opinion, things are going badly because the world has chosen to ignore the teachings of Adam Smith and Ricardo which, having been further elaborated by four generations of admirers, had reached perfection. But Smith and Ricardo based their theories on certain assumptions which were only partly true in their time and which, in the world we are living in now, are not valid at all. Some of the neo-classical economists realise this and, with undeniable logic, advise us — in substance — to change the world and adapt it to their theories. But statesmen and all those having practical minds obstinately refuse to do this and continue to base their economic policies on the world as it actually is.

In acting thus, they would have brought us much nearer to a solution of our problems if a majority had not made the mistake of attributing all the difficulties and the lack of balance they are trying to overcome to the two world wars, almost completely neglecting their essential cause. I refer to the growth of the United States and the fact that this gigantic power is now able to practically outvie all other countries on international markets. The United States has taken over Europe's financial and political hegemony and, of late, also that supremacy in the sphere of technical and scientific progress without which it is not possible to remain for long in the vanguard as an industrial country.

This is a phenomenon which has many precedents in history and which has always caused serious difficulties. The expansion of Portugal's overseas trade in the sixteenth century and of Great Britain's trade two centuries later had their counterpart in the decadence of Venice in the first case and of Low Countries in the second. The experience of Germany prior to 1914 shows that the entrance of a new large industrial country into the sphere of international trade is no easier now than it was then — nor does it give rise to less serious conflicts. In 1914 the United States already accounted for more than one third of the world's industrial output; consequently it was already well on its way to becoming a gigantic power. Without the war, however, it might have taken half a century to reach the position it found itself in only four years later, in 1918. The truth is that the two world wars have merely speeded things up, conferring a dramatic aspect on them and turning Europe's gradual decadence into a crashing downfall.

Fortunately certain fundamental features of the economic development of the U.S.A. carry within themselves the remedy for some of the most serious harms caused to other countries.

In fact, while the world needs American help, it is in the interest of the U.S.A., for a number of reasons, to grant this help. Public opinion, however, dominated as it is by tradition in all countries, does not hold these concurring interests to be stable, for they are something quite new to which it is not accustomed. On the other hand, it is acutely conscious of the points at which these interests diverge. For this reason many Americans are still wondering why they should help Europe with the Marshall Plan or in any other way, while in Europe there is a lot of talk about earning dollars with which to pay for the goods we need rather than accepting them as gifts. There have even been apparently paradoxical cases of masked refusal of aid.

I

2. — Once the Industrial Revolution had started, Europe developed along lines so singular that only habit could make them appear natural, namely as an industrial region importing the foodstuffs and raw materials it needed from all the other countries in the world and paying for them with its products. The population of Europe increased steadily, while elsewhere (with the exception of parts of southern and eastern Asia) it remained low.

In the twentieth century the situation changed: almost all the non-European countries developed industries of their own and tried to shut out European goods. However, as long as there was no other great financial power for them to turn to, they were unable to avoid paying interest and dividends on European capital and, consequently, sending supplies to Europe. They knew only too well that, had they failed to do so, the retaliation would have been a refusal to grant new loans. But during the last decades this too has come to an end: Europe's foreign investments have been repaid, and the Continent has been suddenly faced by the problem of obtaining supplies without foreign balances with which to pay for them or markets where it can obtain foreign currencies in exchange for its products.

The difficulties encountered by Europe on international markets are due mainly to the fact that exports in the twentieth century — as we shall see later — underwent a radical change as compared with the nineteenth century. A secondary, but far from negligible reason is that with the passing of world hegemony to the U.S.A., the causes have ceased to exist which formerly induced well-to-do consumers to purchase European luxury articles, no matter how high were the tariff barriers with which their countries endeavoured to check such imports. For many years, in fact, the upper classes in all countries were guided by London and Paris dress styles, ways of living and thinking. But it is a sign of the times that the big Parisian dressmakers have recently had to alter their models to comply with the taste of American women — such a thing would have been unheard of in the nineteenth century!

3. — Situations similar to that of Europe at the present moment have occurred several times in the past; but the most interesting precedents are probably those of Austria and Czechoslovakia after 1918 and that of the city of Naples after 1860. The two former countries had lost the prominent position that their industries, trade and finance had enjoyed on the markets of the former Austro-Hungarian Empire; Austria, in addition, had lost the sources that had supplied Vienna, as a capital, with her income; the losses of Naples were almost exclusively of the latter nature. A fact that deserves to be considered is that only Czechoslovakia succeeded in saving itself economically. It is interesting to observe that whereas the decline of Austria may be attributed to the tariff barriers raised against her by her former markets, this explanation does not fit the case of Naples which, on the contrary, was united to other larger and richer Italian markets. The latter solution however is now recommended as a remedy for the difficulties being faced by the countries of Europe.

Europe's present problem is the same as that of Austria and Naples, namely, either to find abroad new sources of income not inferior

to those that have been lost, or to send part of the population to other countries or to be content with what can be supplied locally. As for the third solution, two alternatives are open: either fully to exploit local resources (this means an economic policy aiming at self-sufficiency) or to reconcile oneself to a heavy and lasting fall in the standard of living.

II

4. — Let us now examine the new features characterising international trade in the twentieth century, particularly of late years. The reason why Europe's former export markets started to break away and undertake a process of industrialisation, was that their entrepreneurs wished to oust European suppliers. Little by little, however, the individual desire to grow rich mingled with the general desire to provide employment for the national labour force. Now, in the twentieth century, all government policies aim at full employment and no country concerns itself with the damage that may ensue to other countries from the steps it takes to reduce unemployment.

Everybody sees this quite clearly now, but very few have the courage to make allowance for this fact when considering the economic future of the world. An unbiased study of the situation can only lead to the conclusion that the policy of full employment is bound to result in the complete abandonment of the economic principles followed prior to 1914. Yet these principles are the only ones known to private persons in the conduct of their business.

In Italy we are able to examine the effects of this new policy as regards the ban on dismissals in the industrial sector. The principle of sound administration (as it was called) used to be not to accept orders unless the price covered the actual cost. This system led, in practice, to the automatic elimination of factories whose costs were too high to be competitive. Once it has been established that no employee may be dismissed, the principle must be altered; all orders have to be accepted to help pay the wage bill. Thus producers are driven to selling part of their output below cost. With a system of private enterprise without State intervention, the selling of goods below cost would obviously be limited by the financial possibilities of the producers. Once their funds came to an end, they would have to close down or at least return to the old principle of not working at a loss.

In the case of whole nations, however, and not private enterprises, selling below cost can continue practically indefinitely, since a nation will never run completely out of resources. Consequently, the principle of full employment justifies not only protectionism, but also dumping and free grants of the Lend-Lease or ERP type.

5. — We ought to consider the same facts from another point of view. In a world intent on attaining full employment, there is no sense in speaking of reducing costs in order to get the better of competition on international markets. It is true that a reduction of costs would make it possible to offer lower prices without any need for an increase in State subsidies, but these offers would not be accepted.

In the world we are now living in, *no country is willing to buy abroad what can be supplied by its own manpower, since the price paid for imports has to be added to the expenses necessary to ensure full employment.* The only advantage — if it may be so termed — would be that a part of the local labour would be employed for useless work.

From force of habit we are inclined to entertain the idea of lowering the standard of living of the working classes in order once more to be able to compete on foreign markets and get foreign currency to pay for our imports. This, for instance, was the practical advice offered to France by Paul Reynaud, a statesman who is wellknown as an expert in economic matters. It is, in fact, excellent advice for the world that M. Reynaud still thinks he is living in. In our present world, however, it would merely complicate an already difficult social situation, since the only practical results, were France to lower her prices, would be new restrictions regarding imports and other protectionist measures aiming at preventing France from expanding her exports.

6. — In countries where are large masses of would-be workers without employment the policy of full employment should be achieved mainly by finding employment for such workers. In more highly industrialised countries, however, it is part of another and more extensive programme: that of achieving economic stability, which means not only stability of employment but also of incomes. Ever since 1930 this has led countries to look on exports more and more as a means for getting rid of production which is not needed at home. It has become a problem of domestic policy, its object being to provide work for certain categories, thus preventing them from putting pressure on others. This is a radical innovation compared with nineteenth century ideas, and its effects are only just becoming apparent. They are very far-reaching.

In fact, if evolution continues along these lines, each national market will become a sort of reservoir, the contents of which are kept at a constant level. But in order to maintain this constant level, there must necessarily be large fluctuations in the quantity of water discharged into the ditch below.

Once these conditions predominate, international markets can no longer hope to have regular customers and in order to place goods it will become necessary to sell them at very low prices or actually give them away. The only exception would be those few basic products for which even potential overproduction is impossible. With this sole exception, exports would lose their importance as a source for financing imports. Any country that continued to depend on international markets would therefore find itself in a precaurious situation. Further, it would be liable to suffer the effects of depressions in other countries, as was the case in 1930-34.

Sir William Beveridge writes that every country must aim at achieving full employment within its frontiers, without counting on exports as a means for attaining this end, since in so doing it would merely be « exporting unemployment ». But his advice is not likely to be followed. As long as there is manpower idle, all countries will have recourse to dumping in an attempt to achieve economic stability for themselves. Obviously, it is always better to employ manpower on some not completely useless job, rather than pay the workers to be idle. Under these conditions, even the countries where wages are highest will be able to use certain number of workers to produce goods to be sold in competition with countries where wages are low.

7. — All the foregoing should be considered in connection with the particularly advantageous situation of countries having a large domestic market. Even if Italy, France and Great Britain reserve the whole of their domestic markets for their own industries, they have only 40 to 50 million potential consumers as compared with 150 millions in the U.S.A. with a much higher purchasing power. Consequently, in the case of goods having a decreasing production cost — most industrial products come under this heading — manufacturers are able to reach very much lower costs.

The size of the home market becomes a really decisive factor when recourse is had to dumping. The larger this market is, the lower is the percentage by which the price has to be increased on the domestic market to meet dumping expenses. Costs and sales prices being equal, if the domestic market in country A absorbs twice as much of a given product as country B, the former will be able to offer twice the rebate offered by B for sales abroad.

More or less the same thing happens when dumping is effected not by the producers but by the State, which offers export bounties or subsidies. It is obvious that the richer country, if it so wishes, can easily get the better of the poor country.

8. — Owing to the fact that supplies on international markets undergo sudden, large-scale changes and that prices vary equally suddenly, production costs in small and medium size countries will vary far more than in large countries. Normally, the former have only a restricted assortment of products and are compelled to purchase far more supplies abroad. Consequently their industrial enterprises will end by assuming that speculative nature which was to be observed in all countries at the end of the world war. This makes financing difficult, except during spells when

circumstances are favorable (and even this only applies to the more naive type of investor). This difficulty in obtaining funds compels firms to forego improving their equipment; they are thus unable to keep pace with technical progress and to reduce costs. On the other hand, the instability of costs sooner or later affects sales prices unfavourably.

These causes of inferiority, added to those which result from restricted markets, would end by limiting the industrial activity of small and medium-size countries. And all the countries of Europe come under this heading.

III

9. — The United States differs from all other countries inasmuch as it has never suffered from that excess of manpower which is a normal condition in Europe and Asia and was therefore able to apply labour saving machinery far more extensively than other countries. After the first world war, the process of substituting machines for men made it possible for the Americans to do without foreign workers, although production continued to increase at a far greater speed than did the population. The closing of the U.S.A. to immigrants marked a turning point, the full importance of which is only now beginning to be realised. For the bulk of U.S.A. production decreasing costs in terms of human labour obtain. This means that it is possible to increase production not only without increasing the number of workers, but also leaving them more time for rest and amusement.

In a society, however, where the work is done by wage-earners, mechanisation spells unemployment, and in a modern society of the Western type, where these wage-earners are of great importance also as buyers on the commodity markets, unemployment inevitably leads to a drop in the production of such commodities as well as to a reduction — if not a complete absence — of profits for manufacturers. There results a reluctance to invest in new equipment which, in turn, lowers the output of capital goods. In short, a reduction in the demand for labour is followed by depression. If manufacturers carry matters to their logical extrema, the depression becomes permanent and economic development comes to a standstill.

So far, however, the United States has succeeded in avoiding this extreme, thanks to the limited availability of manpower which first made it concentrate on machinery. As the result of rising wages and shorter working hours, the increase in productive capacity has been followed by an increase in mass consumption, which has re-established equilibrium. The country has been through crises — even very serious ones — but manufacturers did not permanently refrain from installing new plant for fear of never being able to sell their output, as has been the case in Europe. This is another of the important characteristics that distinguishes the U.S.A. from the rest of the world. They have indeed been lucky enough to discover the formula for developing production and consumption at the same rate, which is essential in order to keep the mechanism of a modern country going.

Together with these two factors, very strict protection of the domestic market has placed the U.S.A. in the place it now occupies in the world. It has always been protectionist. In the middle of the nineteenth century, when Great Britain became the champion of free trade and all the countries of Europe lowered their tariffs, it seemed for some thirty years as if protection was about to disappear. In the U.S.A., however, it was not shaken in the least and this too is accounted for by local conditions. The British industrialists and workers embraced free trade because they knew that the abolition of customs barriers would ensure food at lower prices. The Americans could not hope for any such advantage since they were at the source that supplied Europe. British unemployed could emigrate and make a fortune for themselves. Americans could never hope to do this, since the highest wages and the best opportunities were to be found in their own country.

By closing its domestic market, the U.S.A. succeeded in improving the standard of living of its people without waiting for the rest of the world to do the same. The poor countries were unable to disturb this process by sending over their goods or their workers.

10. — The series of facts mentioned in the first part of paragraph 9 — technological unemployment, sales difficulties for consumer goods, etc. — has so far been studied by economists almost exclusively with reference to the theory of economic crises which, in reality, can be explained in many other ways. On the other hand, sufficient importance has not been attached to the fact that the aforesaid series of events may bring economic development to a permanent standstill.

Here we come to an old problem strictly connected with the expansion of mechanisation, namely: how to sell the increased output if the machines, by raising labour efficiency and to a great extent eliminating human labour, exclude from the market an increasing number of potential consumers? This problem has been apparent from the very beginning of the Industrial Revolution and if the classical economists have ended by considering it with optimism, it is only because, in capitalist societies, the employment of manpower has been increasing at the same pace as the efficiency.

But let us stop to consider the case suggested by Sismondi, of a king of England who had all the work formerly entrusted to his subjects done by machines. In this case the working classes would have no incomes and would not be able to buy anything. Supposing the king were a philanthropist, he would have all the products that he did not need himself distributed free of charge to his subjects, in which case they would benefit from the replacing of human labour by machines. As a philanthropist, he would be anxious for new automatic factories to be opened continually. But capitalist entrepreneurs having only selfish aims and operating with perfect logic, would stop their machines as soon as their personal consumption was satisfied and, needless to say, would refrain from opening new factories.

In actual fact, if capitalist countries have continued to expand their mechanical equipment and allowed the working classes to reap the benefits thereof, they have done so not only because the remuneration of labour has increased, but also because work was done which appeared remunerative for investors, though really it was not so. In the first case, entrepreneurs acted against the spirit of Capitalism; in the second case, they made investments which a clever capitalist would have rejcted.

11. — In the twentieth century great progress was made in inventing machines capable of doing men's work. Particularly important and capable of developments that would have seemed unbelievable only a few years ago are the machines invented during the second world war. Perhaps the age of plenty dreamt of by the Utopians is about to become a reality (provided the population of the world does not increase excessively). But this plenty will not take the form of manna falling from the sky, which one need only bend and pick up. Factories will have to be equipped and manpower employed in order to obtain it. At first sight, therefore, it may seem as if nothing has changed as compared with the economy to which we are accustomed; investments will have to be made as in the past. But here the analogy ends since most of this machinery is practically automatic and the employment of manpower would become negligible once the equipment was installed and, consequently, the sales of the products practically impossible.

Under these circumstances new investment is extremely advantageous for the country as a whole, since a large quantity of products are obtained almost freely (just the cost of installing the machinery) but it is not a profitable business for private persons.

A restricted number of private businesses may be profitable provided they are inserted into a pattern of businesses the majority of which are not remunerative. There are a number of possible solutions: (*a*) to discontinue investment; (*b*) to distribute investments over a very long period of time, so that those closing with a net loss may be able to pass almost unobserved; (*c*) to switch over from investments for profit to investments of a philantropic nature.

Entrepreneurs might find an incentive to create and operate automatic plant in a fourth solution: (*d*) if they took pleasure in employing useless labour, as if they were holding court, compensating the court mass with the products of their plant. But this solution has no practical importance, since public opinion

in all modern countries condemns all forms of useless, gaudy luxury which has become repulsive even to the very rich. Lastly there is solution (*e*) when the entrepreneur produces in order to destroy what he has produced; but we need hardly mention that this solution, even if it is rational as a system for equilibrating production and consumption, is a complete failure from the social standpoint. Nevertheless it is interesting to observe that, from 1914 onward, the greatest increase in mechanised plant has always taken place when it was needed for war production, namely, to produce things to be destroyed.

12. — Recently the old theoretical problem has reappeared in the guise of a practical problem in connection with trade between the United States and the rest of the world. The U.S.A. produces practically all that it needs and consequently does not need to import goods. Its position is becoming very similar to that of Sismondi's king of England, namely *it can no longer trade, but only give away*. In order to preserve the appearance of selling its goods, it has to give us dollars with which to buy them.

Thus economic relations between the countries of Europe and the U.S.A. do not merely present a problem of international trade or of balance of payments. In actual fact, they present a typical problem of distribution of income resulting from technical progress and greater exploitation of natural resources. If frontiers and currency difficulties have immediately made this evident in the international sphere, it is nonetheless equally true of conditions inside the various countries. However, in our capitalist societies, it is more difficult, for technical reasons, to distribute goods free to the citizens without causing a serious upheaval.

The difficulty comes from the fact that it is necessary to organise this free or half-free distribution without upsetting the process of production and, particularly, in such a way as to prevent the workers who benefit from this free distribution losing interest in their work, while at the same time allowing a margin of profit for the employers. This might possibly be achieved by gradually extending public services so as to distribute free such goods as have a rapidly decreasing cost of production (1). So far, however, neither this nor any of the other possible solutions has been studied sufficiently to ensure success. On the other hand, the favourable effects of free exports on the stability of the domestic market are almost as certain as those of the destruction of surplus goods, which is the oldest and best-known method.

Being brought face to face with the general problem of distributing increased output on an international scale has served to stress its characteristics and should therefore have facilitated its solution. In fact, in the countries that have been receiving help from the U.S.A. in the form of free goods, nobody could possibly maintain that these goods have cost a sacrifice or that it would be a saving not to use them or to refuse to accept them. Consequently, had it not been possible to utilise them otherwise, the beneficiary countries should logically have distributed them free of charge (to destitute citizens, for instance), arranging this distribution in such a way as to avoid any unfavourable effect on production.

Nevertheless, the modest attempts made to plan the distribution of ERP help aroused the suspicions of a number of well-meaning persons, who hastened to draw attention to what they claimed to be a contrast between the United States' intention to defend private enterprise and the experiments in collectivism on the part of European Governments. In reality, when the U.S.A. decided to grant free help it was merely passing on to other countries the task of solving a problem which it did not feel able to solve on its home front and which, could only be solved — as has already been said — by turning from a market economy to philanthropy.

It may seem like a paradox, yet —from this point of view — the collectivist countries may

(1) The general objection to this is that a similar system is impossible, since it would mean the simultaneous existence in one Society of a collectivist and a market economy. In actual fact, the two systems have existed simultaneously since time immemorial. Public aqueducts are but one example. Each citizen draws the water he needs and each contributes to the expense according to his possibilities. The poor get their water for nothing and so do foreigners. This solution was adopted owing to the tecnical nature of the distribution of water, which renders negligible or inexistent the economic advantage to be obtained from limitating it to the well-to-do citizens.

be needed to save private enterprise in a country whose economy is constantly expanding and which, like the U.S.A., wishes at the same time to enjoy the advantages of stability.

13. — The Americans have adopted this solution without realising it. They never intended to create the necessary condtions for replacing men by machines and it would be ridiculous to attribute to them the Machiavellian plan of passing on to Europe the task of saving private enterprise in their country. The most important immediate advantage of this help, which is to offer an outlet for production surpluses, has only been realised by a few people and a number of these, while appreciating the measure in as far as it concerns their own special branch (cotton, wheat, etc.), are apposed to any general policy of this sort. Congress approved the Marshall Plan with arguments that likened it to the subsidies paid by the Roman Empire and by the British Government in India to frontier tribes in order to keep them quiet. Further, Congress threatens every year to reduce ERP funds. What count, however, are the facts and not the intentions. Columbus discovered America, but he thought he had only found a new route to Asia.

IV

14. — We have already pointetd out that, despite the fundamental conformity of European and American interests — Europe needs help and it is in the interest of the U.S.A. to grant this help — there are secondary points at which these interests diverge, which complicate the practical realisation of these plans of assistance. The most serious of these difficulties originate from the very causes which make it expedient for the U.S.A. to grant this help and appear clearly in connection with the application of the Marshall Plan.

Useful though the free imports contemplated by this Plan undoubtedly are, they are not always welcome and, sometimes, are actually refused. Obviously this was to be foreseen. The Communists were of course the most hostile to this plan, yet it is symptomatic that industrialists and farmers have for purely economic reasons shown the strongest opposition to certain types of imports.

As we have already pointed out in paragraph 5, countries whose object is to avoid unemployment are only acting rationally when they refuse to buy abroad goods which they could produce themselves since the price paid for these goods has to be added to the expense of employing local manpower whatever the results of its labour may be. But when the goods imported cost nothing, this justification is obviously no longer valid. Commonsense tells us that in this case the importing country is in the position of a person receiving a useful present. If, for instance, a peasant family produces less wheat than it wishes to consume, there can but be an advantage in receiving the difference as a present.

In the complex societies of our modern world, however, we have to reason differently. Free imports increase supplies on the domestic markets of the beneficiary countries, leading to a fall in prices. A lowering of individual incomes ensues which — unless it is of negligible proportions — brings about a crisis (2). Classical economists did not attach any importance to crises of this kind and looked ahead to the moment when the market would have adjusted itself to the new conditions. Nevertheless the fact that the victors of the first world

(2) The crisis and the disappearance of some sources of income are, as has already been said, the effect of the drop in prices; but the same thing would happen — though in a different form — even in a country where money was unknown and that was not capitalist. Their real cause is to be found in the fact that consumers are physically different persons from producers and that they act independently of one another and without caring what consequences their acts may have.

For the sake of simplicity, let us take an extreme case: let us imagine a country with a closed economy, where wheat producers are not easily able to undertake other forms of production, and barter part of the wheat they produce for the other commodities they require. This country, like the peasant family already mentioned, produces altogether less wheat than it wishes to consume. Let us suppose that another country makes it a gift of enough wheat to make up the difference. If priority is given to the producers of other commodities, when distributing this gift, so as fully to satisfy their requirements, they will no longer turn to national wheat producers for supplies. Therefore, in the beginning everybody will have plenty of wheat as a result of this gift, but wheat producers will have to refrain from consuming other goods and the producers of said goods will find themselves with surplus production on their hands. Unless they increase their own consumption so as to absorb this surplus, they will have to reduce production and some them will be left without employment.

war eventually refused German reparations in kind (which differed from a juridical point of view, but in actual fact amounted to very much the same thing as free imports through ERP) should have afforded food for thought. It was indeed an unmistakable sign of the radical change in public opinion — particularly among the leading classes — with regard to crises, even if not likely to be far-reaching or to last long (3).

A crisis can be avoided only if the distribution of the free foods is carried out in such a way as not to alter the relative positions of the different members of society. This has indeed been attempted, but experience has proved it to be extremely difficult in countries where distribution is not concentrated in one hand, as in the case of the peasant family.

15. — It should be noted that national producers not only objected to imports that might lower their sales, but also to those which might stand in the way of their expansion. Thus, for instance, some industrialists tried to veto imports through ERP of machines that they were actually not building because the cost would have been prohibitive for national buyers.

This conduct is not irrational as long as there is hope of the domestic market expanding in the future.

In fact to accept a present of goods amounts to expanding the market of the producing industry in the country making the gift (whether this is done at the expense of the taxpayers or not makes no difference). This expansion, in the case of production of the decreasing cost type, leads to a lowering of the cost of production and consequently paves the way for still stronger competition in the future on the part of the nation conferring the goods. For esample, the payment of repartions in kind would eventually have built up such a strong German industry that the victorious nations would have been unable to compete with it.

(3) J.M. KEYNES was among the first who justified in theory those who were exerting pressure in order that German reparations should not be accepted. He explained that the immediate effect of free goods is harmful to the country receiving them, although this harm might become an advantage if the process continued long enough and if the country's productive organisation was suitable converted. See, for instance, *A Revision of the Treaty*, London 1922, pp. 152-55 and 165-66.

16. — The majority of Europeans would prefer to pay for necessary imports with the proceeds of their visible and invisible exports. « We want to work », they say: « We don't want charity. All that we ask is to be allowed to sell on foreign markets ».

The trouble is that there are no European goods that the U.S.A. cannot produce equally well. And, as we have already stated, an enormous country like the U.S.A. is able to practise dumping on such a scale as to exclude all other countries from international markets.

Consequently when we ask the Americans to lower their customs barriers so as to give us the possibility of selling some of our goods, or not to increase their merchant marine to the point of depriving us also of the invisible assets represented by freights, we are indeed asking them to leave part of their working capacity idle as a favour to us. We should be doing the same thing if we asked the U.S.A. — as it would be logical for us to do — not to compete too bitterly with us in foreign markets so that we may still be able to earn the foreign currency with which to pay for the goods we receive from these countries.

But that is not all. Once we have accepted the principle of using exports to prevent unemployment and avoid crises, the U.S.A. may find it more advantageous to supply the other countries free of charge, rather than to give up markets to them. Were the U.S.A. to give up some markets, it would in fact have to help its national industries which would be working at reduced efficiency, subsidise its farmers to reduce their crops and so on — all measures which are dangerous since they get people into habit of not working.

17. — It is certainly no easy matter to overcome these difficulties; yet it is essential to do so if American help is to yield the benefits we all hope for.

V

18. — If Europe were to continue to get supplies from other countries to the same extent as prior to the war, American help would need to be permanent — in view of the difficulty (see paragraphs 5-7) of increasing its exports sufficiently to make up for the lack of the

income from investments which had to be liquidated to pay for the war.

We must not forget that whereas, before 1914, the flow of supplies was steady, since it depended on mutually advantageous commercial transactions and was considered a duty by public opinion, it has now become a political problem. And since the help available is not sufficient to satisfy the needs of all the countries of the world, Europe will always be haunted by the fear that this help will be diverted to China, let us say, or to South America.

Nor must we forget another fact of fundamental importance: the U.S.A. might suspend this free help altogether and obtain the same advantages by working to produce more armaments. In the years between his advent to power and 1939 Hitler proved that this is an easy and unfailing way of absorbing labour.

19. — For all these reasons it is necessary to consider whether Europe can keep up its present standard of living even without American help and without that increase in its exports which it hopes to achieve by the time American help comes to an end. Obviously an essential condition is for Europe to increase production for the domestic consumer.

The objection usually made is that our natural resources are few. The same thing might have been said of the U.S.A. when its territory was only inhabited by the Indians. In Europe, the resources we know of and are in a position to exploit are few; but we must bear in mind that technical progress may increase them. For instance, when it became impossible to get nitrates from Chile and natural rubber from Malaya, industry discovered processes for fixing atmospheric nitrogen and producing synthetic rubber from raw materials available locally. At present we are going through a phase of exceptionally rapid technical development; this alone should allow us to consider with optimism the possiblility of increasing European production by drawing on our natural resources.

Another very frequent objection is that, unfortunately, we are poor, very poor; that we cannot increase production because we lack capital, and that we cannot build up capital because we have insufficient savings.

This is not accurate. What we cannot build up is monetary savings, which cannot be formed if monetary profits and incomes are not sufficiently high; the latter, in turn, will remain low as long as sales are limited by the low level of consumption. But our societies always save, more than ever so in times of economic depression. When they refrain from consumption to such an extent as to reduce also investments in capital goods (since they can no longer be considered remunerative), saving is accomplished directly in the guise of a saving of labour. Orientals have always realised this. They know that the prize gained by refrain from consumption is rest and, for them, this prize is sufficient.

In Europe, however, work has gradually become the object of a true cult, although people continue to preach that to refrain from consumption would be advantageous both economically and spiritually. Two incompatible ideas: on the one hand, that it is meritorious to produce and, on the other, that it is meritorious not to consume are the bases on which European sentiment is founded. It is difficult to make Europeans understand that it is merely a waste of labour to plant vineyards or build motor factories unless it has been decided to increase the consumption of wine or cars.

So far Europeans have been able to avoid this conclusion by imagining that they will be able to export what they do not intend to consume. But now that exports offer only a very limited outlet, this has become a form of escapism.

20. — Another important fact is that these ideas are shared by the working classes who, if they considered their own interests and acted rationally, would aim to increase their consumption and make sure that only what they like to consume is being produced. Instead they find it quite natural, on the one hand, to work at producing goods for the exclusive use of the rich while, on the other, they exert pressure on public opinion and on the State to discourage the consumption of these goods.

Obviously this hinders the expansion of production and makes economic readjustment in Europe even more difficult.

Returning to the example of motor cars, let us suppose that we not only manufacture cheap cars bought mainly by the working classes but that we manufacture this type alone. Exports being closed, the granting of better wages would result in an expansion of the domestic motor market and, in this way, the surplus production would sooner or later be reabsorbed. If, on the other hand, we only produced Alfa Romeos, Isotta Fraschinis and Rolls Royces, it would not only be difficult to expand the domestic market but the increase in cost ensuing from the higher wages might cause it to collapse completely, since the incomes of our well-to-do classes are limited and — naturally — nothing is done to increase them; on the contrary everything is done to restrict them. It is for this reason that the State had to subsidise factories manufacturing luxury cars so that they might work uselessly; as a result there has been a fall in the country's real income (4).

Thus, incidentally, we have touched on another fundamental point: the difference in mentality leads to one and the same measure having opposite effects in different countries.

VI

21. — After the first world war, Europe suffered from economic depressions, but there were also periods of recovery; we may hope therefore that also after this second world war there will not be only depressions. Unfortunately, however — and this is symptomatic — the period of recovery lasting from 1935 to 1939 was closely connected with preparations for the second world war which, for some years, administered oxygen to the productive organisation. Nor is it possible to forget that, ever since the beginning of the twentieth century, we have always lagged behind the vanguard countries.

After all that has been said, we feel that present difficulties should appear sufficiently clear. Europe is faced by a world situation which is completely different from that on which it founded its fortune. In order to safeguard the relative comfort to which it is still accustomed, it would need to rebuild its economy on new bases: a very difficult matter, not only because the structure of its output and consumption is rigid, but particularly because, regarding many fundamental problems, Europeans have ideas which are completely the opposite of those they should have in order to change the aforesaid structure in such a way as to increase real income.

This is the gloomy side of the picture. However a certain confidence could be justified: technical progress has not been extinguished in the world, on the contrary it is flourishing more than ever, and other countries from which we are only separated by distances that are small in modern times are constantly showing us how this progress can be utilised.

So far equilibrium — a very poor equilibrium, it is true — has been re-established by an exterior force, by a *deus ex machina*: the U.S.A. and its help. Yet after all, if a radical change in European ideas were to occur, would not be this one of those miracles to which old playwrights had recourse to extricate their characters from impossible situations?

(4) These facts would have no importance if production factors were perfectly mobile as economists believed for a long time. In that case employers and workers could easily pass from the motor industry to other factories supplying the commodities consumed by the working classes. In reality, however, both productive organisation and consumption are rigid to such an extent that in order to reactivate a country's economic life, it would be necessary for the demand for the various goods and services, as well as individual incomes (including those of the rich and of the profiteers) to return to their original level, which would be technically difficult and politically impossible.

Public Expenditure, Savings and Foreign Loans in the Development of Southern Italy

by

PASQUALE SARACENO

1. *Effects of an Additional Public Expenditure on Consumption, Public Finance and the Balance of Payments.*

The pre-condition for an action designed to raise the economic level of a depressed area is the ascertained fact that, side by side with an insufficient level of income and consumption, there are productive factors lying idle; more precisely, there is a state of insufficient employment which the natural growth of current economic activities does not succeed in eliminating or — sometimes — even in attenuating; in fact this state of unemployment often shows a tendency to grow worse (1).

The action to be taken in the case of Southern Italy should be based on the premise of utilising only unexploited factors; in other words, it does not intend to achieve its purpose with absolute priority over all other objectives, depriving, if necessary, other enterprises already under way of the factors they require.

This would be the premise of a war economy; but in that case the action to be taken should also provide for:

(a) the rationing of scarce factors;

(b) the adoption of forms of compulsory savings in order to limit the demand for said factors;

(c) the levying of taxes limiting the demand for factors in short supply;

(d) the beginning of an inflationary movement.

Since recourse to such measures is not foreseeable in the current Italian situation, it is to be assumed that the action to be taken will not be allowed to avail itself of productive factors that are expected to be required for private and public enterprises already under way.

Since, then, private enterprise is to be allowed to dispose of the factors it intends to utilise and yet, despite this, in the depressed area we are faced, on the one hand, by an insufficient exploitation of the available factors and, on the other, by an insufficient level of income, we are bound to draw the conclusion that a process of development in the depressed area can only find its centre of propulsion in public finance.

Past experience proves that governmental action limited only to promoting new enterprises by means of facilitations and encouragements of various kinds granted to private enterprise would be unable to achieve satisfactory results, owing to the absence of environmental conditions and outlet markets such as would be necessary to ensure the success of new undertakings.

Consenquently, governmental action can only be imagined in the form of additional investment expenditure, contributing, on the one hand, to create plants and engendering, on the other, a supplementary demand for consumer goods, thus creating not only a higher standard of living, but also an outlet for new enterprises.

Under the circumstances it would not, as a general rule, be logical to expect public expen-

(1) Obviously if the unexploited factors are to be of economic value, they must be available in the combination necessary for the process of development to be undertaken; thus the existence of a large unemployed labour force would not in itself be sufficient, if this labour force could not be combined with other factors either to supply directly the goods required for the process of expansion or to supply indirectly the goods to be exported in exchange for those which national resources are unable to supply economically and must consequently be imported.

diture to be used to install new industries, since if they are not profitable for private enterprise, they are hardly likely to be so for the State. Quite apart from the fact that it would be difficult to conciliate a mainly private industrial apparatus in Northen Italy with a mainly nationalised apparatus in the South. In the industrial sector, therefore, governmental action should be limited to supplying the above mentioned facilitations and to completing the capital contributed by entrepreneurs and by the ordinary money market to private enterprises induced by the public expenditure.

In short, public expenditure should be devoted to the four main types given below:

1) *of a social nature*

(a) works whose purpose is gradually to bring living conditions in the more backward areas up to the level of the rest of the country (water supply, schools, hospitals, sewerages and other public works);

(b) civilan construction which will gradually improve the housing situation in the most overcrowded localities;

2) *of a strictly economic nature*

(a) projects for the exploitation of local resources (land reclamation, roads, railways, harbours, power stations, prospecting for minerals);

(b) financing of private enterprises, particulary those of an industrial nature, induced by public expenditure, as explained above.

The performance of the works paid for out of public expenditure will immediately result in two benefits, since part of the funds will be distributed as wages, while part of them will be used to order materials from other enterprises which, in turn, will set new processes going by paying new wages and ordering new materials at a less advanced stage of production. During the whole process, moreover, taxes will be levied; besides, a part of the materials required will be imported.

The payment of wages, moreover, will result in savings and in a demand for consumer goods. In the same category as savings we may place the repayment of debts and the formation of money deposits on the part of enterprises; in the same category as taxes, on the other hand, we may place other fiscal benefits resulting from the execution of the plan, such as withdrawals and other burdens and social contributions borne by the enterprises and workers carrying out the investment plan, as well as the reduced expenditure on unemployment benefit and other special forms of assistance granted to the depressed area.

The proportions in which the additional public expenditure will be transformed into wages savings, taxes and demand for imported good, as well as the rate at which such transformation will take place, depends on a number of factors: the nature of the works performed, the structure and level of previous incomes, the fiscal system, the nature and quantity of the factors available as compared with the factors required for the process of investments.

With reference to the type of works mentioned above, the per cent divison of public expenditure may be estimated more or less as follows:

(a) *savings*: in consideration of the fact that a large portion of the newly formed income will go to workers in the depressed area and of the great propensity to consume of the inhabitants of said areas, savings are likely to be negligible. There will however be enterprises that will pay their debts or form deposits with the cash they receive as a result of their increased activity; we may therefore estimate the larger amount of liquid money placed on the market by new investments at 5 per cent;

(b) *taxes*: since fiscal pressure in Italy amounts to 20-25% of national income and, once more taking into account the special nature of the income induced by the new investments and the importance of indirect taxation in our tax system, tax collections are estimated at 12 per cent; the benefit deriving to the budget from the drop in unemployment subsidies and other assistance to the depressed area and from the increase in the insurance premiums paid by entreprises and workers engaged in the investment plan is estimated at 10 per cent of the expenditure;

(c) *imports*: we need hardly go into a detailed technical dissertation proving that the programmes being considered will be able to avail themselves of large quantities of unutilised productive factours currently available in

Italy; also the process of industrialisation mentioned in item 2) (b) would call almost exclusively for machinery that can be obtained in our country. Imports, consequently, will consist mainly of the raw materials used to manufacture the products required for the public works; their amount may be estimated at about 7 per cent, namely a little less than half the present ratio of imports to national income;

(d) *consumption*: the proportion that will be devoted to consumption is now obtained by drawing the difference between 100 and the percentages calculated so far, the result being 66.

Public investment expenditure of 100 may therefore be divided as follows:

savings	5
taxes and other fiscal benefits	22
imports	7
consumption	66
Total	100

The process of converting public expenditure into purchasing power in the hands of consumers, additional fiscal receipts, increased savings and increased imports of industrial raw materials does not last long in the case of works of the type to be undertaken in Southern Italy; it would last longer if the public expenditure were to be used, for instance, to build a war factory. From the very first round a large part of the expenditure is converted into wages and, for the rest, into orders for materials of easy and current production. For these reasons we may assume that the public expenditure of the first two months will be divided in the proportions given above during the next two months.

What happens in the following period of two months? The larger demand for commodities is in turn converted, through the enterprises supplying said commodities, into savings, taxes, imports and consumption. While we may assume, however, that savings and taxes will continue in the same proportion, the demand for imported goods will increase considerably, since the growing consumption of foodstuffs will result in larger import requirements, domestic resources being practically exhausted.

Since the ratio of imports to national income in Italy is about 16 per cent, the ratio which the imports induced by an increase in income bear to that increase in income cannot be estimated at less than 25 per cent of the effective domestic demand manifested by consumers (2).

The division of expenditure in the second period may therefore be calculated as follows, with reference to the effective demand of 66:

increase in income during second period to be deducted:		66
savings (5 %)	3.3	
taxes (22 %)	14.5	
		17.8
effective demand		48.2
of which, imports (25 % of 48.2)		12
consumption of goods and services and services on the home market		36.2

Consumption during the second period results in turn in new savings, taxes, imports and consequently new consumption and so on, in a succession that slows down progressively.

We may assume the period required for the completion of such a process of propagation to be two months and its total effects may be represented as follows:

EFFECTS OF AN INCREASE IN PUBLIC INVESTMENT EXPENDITURE=100 — Table I

Two-monthly periods following on that of the public expenditure	National Income	Taxes and other fiscal benefits	Savings	Imports	Consumption
I	100.—	22.—	5.—	7.—	66.—
II	66.	14.52	3.3	12.05	36.13
III	36.13	7.95	1.81	6.59	19.78
IV	19.78	4.35	0.99	3.61	10.83
V	10.83	2.38	0.54	1.98	5.93
VI	5.93	1.30	0.30	1.08	3.25
VII	3.25	0.72	0.16	0.60	1.77
VIII	1.77	0.39	0.09	0.32	0.97
IX	0.97	0.21	0.05	0.18	0.53
X	0.53	0.12	0.03	0.10	0.28
XI	0.28	etc.	etc.	etc.	etc.
XII	etc.				
	245.8	54.1	12.3	33.6	145.8

(2) By effective domestic demand we mean the income spent on goods and services after taxes have been paid and savings effected. On this point see: J. E. Meade, *National Income, National Expenditure and the Balance of Payments*, in « The Economic Journal », March 1949, p. 38.

From the figures given above it would appear that inasfar as the additional expenditure leads to an increase in imports — which we have estimated at about 34 per cent of the amount of public expenditure — it adversely affects the balance of payments; in order, therefore, that the latter may be restored to the position prevailing before the programme was initiated, an expansion of exports is necessary.

This expansion of exports will take some time, however, and it is in order to be able to tide over this period, which may be quite long, that a programme aiming at developing a backward area must be able to count on foreign capital. The re-establishing of the former equilibrium of the balance of payments by means of an increase in exports leads to a further increase in productive activities and consequently in consumption, savings and fiscal revenue (3).

Regarding the relation of public expenditure to the balance of trade, we may therefore imagine two opposite positions: a first position in which the imports induced by greater public expenditure are all financed by foreign loans (with the results set forth in the table given above), and a second position in which the induced increase in imports is completely offset by an increase in exports.

The following table gives a comparison of the effects of additional public expenditure in the two aforesaid positions, all the assumptions set forth in this analysis remaining unchanged:

ALTERNATIVE TOTAL EFFECTS OF AN ADDITIONAL PUBLIC INVESTMENT EXPENDITURE = 100 — TABLE II

(in percentage of the public expenditure)

	1st stage imports financed by foreign loans	*2nd stage* imports covered by exports
National Income	246 %	370 %
Savings	12 %	18 %
Taxes and other fiscal benefits	54 %	81 %
Foreign loans required . .	34 %	—
Effective demand . . . . of which:	146 %	270 %
(a) domestic consumption .	146 %	214 %
(b) exports	—	56 %

(3) These exports will result in new import requirements and in further repercussions which we do not intend to go into here.

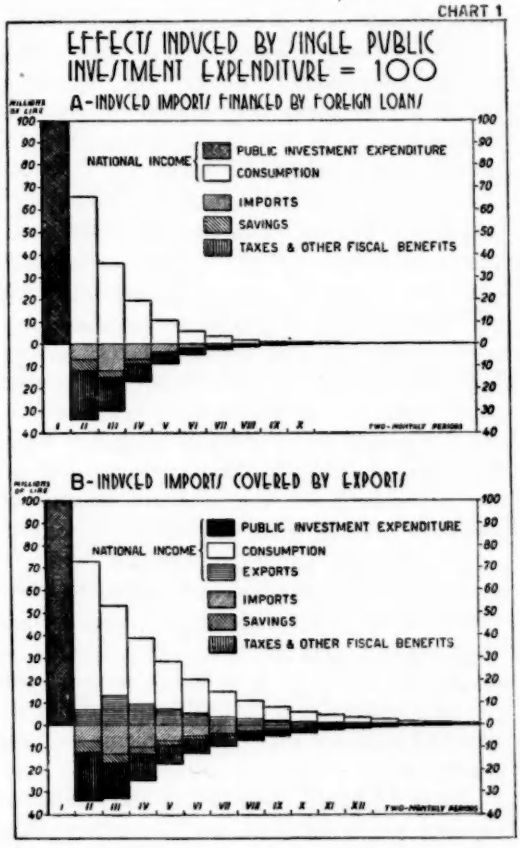
Naturally the effects of public expenditure increase in importance as new export currents come into being; the increase in demand rises from 146% of public expenditure to 270% and the increase in fiscal revenue from 54% to 81%.

The period of propagation is of course longer: table I shows that the effects of the expenditure are felt to an appreciable extent up to the seventh two-monthly period, namely — if recourse has been had to a foreign loan — up to one year after the initial investment.

If an expansion of exports is accomplished, the effects will continue to make themselves felt until almost the end of the third year, starting from the two-monthly period in which the public funds are spent.

The following chart may serve as an illustration of the process we have just described:

CHART 1



At a third stage, exports should expand still farther in order to provide the funds required

for the servicing of the foreign loans negotiated for the execution of the investement plan.

II. *Relation between Public Investement Expenditure and Private Investments.*

In the previous section we considered the effects resulting over time from public investment expenditure occurring in a given period assumed to cover two months: obviously we must imagine a long series of such periods. To the decreasing series of effects arising from the investments of the first period with regard to consumption, taxes, savings, imports and exports, a second series must be added, a third series ad so on, starting respectively from the second and third period and so on, till the end of the programme.

Let us suppose that the public expenditure called for by the investment plan remains constant throughout the ensuing two-monthly periods; what will happen will be that in the second two-monthly period the secondary effects of the public expenditure of the first two-monthly period will be added to the primary effects of the expenditure of the second two-monthly period. In the third two-monthly period, the third wave of the first expenditure, the second wave of the second expenditure and the first effects of the new expenditure will all combine together and so forth and so on.

Consequently consumption, taxes, savings, imports and exports will follow an upward trend until the effects of the expenditure of the first period are completely exhausted. From this moment onwards, if expenditure continues at a constant level, the aforesaid effects will remain stabilised at the highest level reached.

It should be remarked, however, with regard to the above assumption according to which the level of public expenditure remains constant, that a plan of investments aiming at raising the economic level in a depressed area can only be developed gradually up to the extent required by the nature of the problems awaiting a solution.

Even if labour, raw materials and productive capacity are available in large quantities, there is always one factor that is insufficient in depressed areas in relation to a large scale programme — this is organisation.

Certainly it is a factor that can be increased rapidly; nevertheless it is necessary to foresee that public expenditure will expand gradually during the successive periods on which our study is based.

And since, as has already been said, there should be a gradual development of exports aiming firstly at re-establishing the previous equilibrium of the balance of payments and secondly at servicing the foreign loans negotiated in order to be able to carry out the plan, we now come upon three elements which give a progressive character to the process of development in the depressed area:

(a) the accumulation in each period of the effects of a growing series of expenditures effected in the previous periods;

(b) the gradualness of public expenditure which is imposed by the above mentioned technical considerations.

(c) the gradual development of new export currents.

The public expenditure resulting from the investment plan leads, therefore, to an increase in demand for three types of goods:

(a) consumer goods;

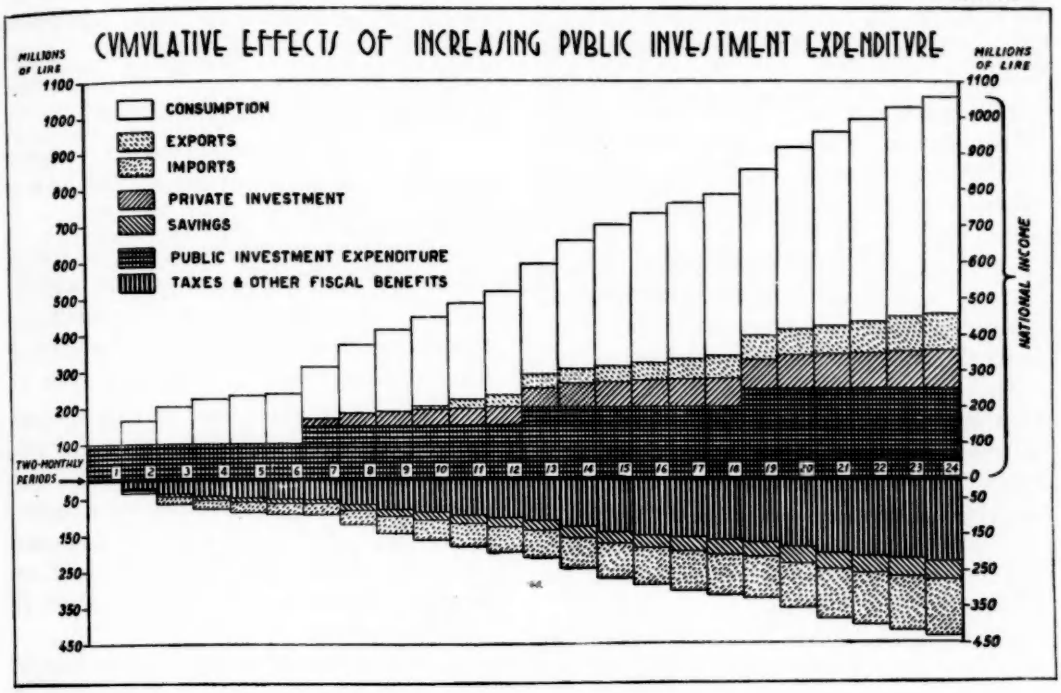
(b) materials required for the investment plan;

(c) export products.

Consequently there is bound to be an increase in the activity of the concerns manufacturing the foregoing products and, as soon as such concerns see that they can expect greater profits, plant renewal will be speeded up in the sectors where the productive capacity was excessive and new plant will be built where capacity was only just sufficient. This will cause a supplementary flow of investments or, in other words, what is known as an acceleration of current investments.

These investments will mainly come from private sources or from local agencies, communal organisations etc.; it is perhaps the most interesting aspect of the process inasmuch as, if it is properly directed and sustained, it helps to bring about that change in the productive pattern of the depressed area which, at a certain moment, should make it possible to reduce the flow of public investments. Particularly so as

CHART 2



the current of private investments induced by public expenditure will in turn influence consumption, savings, imports, exports and new investments.

In order to make the line of thought we are following still clearer, we will attribute values also to the process of acceleration of investments generated by public expenditure.

Considering therefore that in our country new investments are equal to about one fifth of national income, let us assume that the new investments and extraordinary renewal of plant induced by public expenditure will also be equal, on an average, to a fifth of the income induced by said expenditure (4).

(4) Obviously this valuation is open to serious objections. In favour of the attribution of a very low value to the acceleration militates the existence in Italy of a certain amount of unutilised productive capacity; on the other hand, in favour of high values militates the fact that the investments required by many types of production are often equal to the value of a full year's output or more and not to a fifth of its value.

Moreover, it is necessary to consider that the acceleration of the process of renewal and of new investments cannot but have a very irregular pace, since it depends on the margin of unutilised productive capacity, on the degree of mechanisation prevailing in the factories that are renewed or enlarged and on a number of other circumstances.

If we attribute the same effects to private and public investments, we shall have to increase the values given in the previous diagram by one fifth.

Taken as a whole, the process will then appear to us as in the chart 2 above, always leaving out the increase in imports caused by the expansion of exports (5).

(5) The acceleration of investments induced by public expenditure may call for a larger amount of monetary capital than can be provided by the savings generated by the same public expenditure.

This is the case resulting from the figures given above, which show induced private investment requirements amounting to 20 per cent of public expenditure and savings amounting to only 5 per cent.

Under these circumstances, if the initially mentioned condition of not subtracting funds from current investments and consumption not connected with the investment plan is to be observed, the gap between savings and the funds needed for private investments will have to be filled by public expenditure: as will be remembered, the four groups of investments among which public expenditure is to be divided also include the financing of private enterprises which have become profitable as a result of the investment plan. It will be precisely this type of expenditure that will have to be developed to a sufficient degree to cover the difference between the new capital needed for private investments and the formation of new monetary savings.

At this point it would be interesting to try to valuate the results which may be obtained through State action of the type described; however such a valuation cannot be made through a comparison between a given initial position of equilibrium or disequilibrium and another position reached at the end of the period considered as a result of the aforesaid hypothetical action.

The action has indeed induced a whole set of changes: in national income, in consumption, in savings, in imports, in exports, in the volume of investments, public finance and so on. As a result of these changes the disequilibrium has been attenuated in certain cases and has been increased in others; unemployment has diminished, consumption has increased, the balance of payments has taken a turn for the worse and the budget deficit has increased. How can all this be expressed with reference to a single, synthetich initial position?

In other words, the economic system we are considering presents different aspects, each expressing itself in a particular *balance*.

Thus we have a balance of employment, that is to say of demand and supply of labour, a balance of effective demand and production from which may be drawn particular balances of savings and new investments, of wear and tear of the existing plant and their renewal and upkeep. There is also a balance of foreign trade and lastly, limiting our survey to the most important aspects of economic life, a balance of public finances.

Some of these balances appear in equilibrium, whereas others do not; in all of them forces are operating that tend to change the existing positions; further, all balances are interdependent, inasmuch none of them can, by its proprer equilibrium, restore the equilibrium of the others.

The contrary is more likely, as a matter of fact: restoring the equilibrium of the balance of employment may, in the beginning, involve the upsetting of the equilibrium of the budget and of the balance of trade; on the other hand, to concentrate on restoring the equilibrium of the budget may mean upsetting the balance of employment and the savings-investments ratio.

Consequently, it is necessary to choose the system of disequilibrium and equilibrium which is most advantageous, at the time, in order to achieve the desired ends, assuming, as modern economic policy does, that:

(a) there is a general interest, entrusted to the State, in the fullest possible utilisation of the factors available;

(b) this utilisation, as well as the type of income distribution most in keeping with the interests and ideals of the State-controlling social forces, cannot always be achieved through the efforts of private enterprise alone.

Having made this point, we may now sum up what has been said so far by stating that, in depressed areas, governmental action must aim at *attenuating the disequilibrium existing in the balance of employment, by deliberately upsetting the balance of public finance and preparing to face a disequilibrium of the balance of payments*.

The limits within which these various types of disequilibrium must be kept are obviously determined not only by technical but also by political factors; consequently they are outside the scope of this paper (6).

We will instead merely complete the previous schematisation by giving the following chart 3 showing the net variations occurring in the *yearly — no longer two-monthly — balances* mentioned above.

From the above chart it appears that for a first group of balances the original disequilibrium has been attenuated; this group includes income and consumption (7).

In the second group we find the three balances in which an anti-depression policy, in the beginning, increases the already existing disequilibrium: they refer to public finance, the balance of trade and the ratio of monetary savings to new investments.

(6) Here we may again refer to a war economy as to a case in which certain objectives become more important than the preservation of the equilibrium of the State budget and the balance of payments.

(7) The development of income — which includes public investments, consumption, exports and induced private investments — might approximately be taken as the index of the increase in employment.

Since this paper has always referred to increments of public expenditure, consumption, exports and so on, there is no possibility of estimating the size of any disequilibrium as compared with the initial position; we may however compare the variations in disequilibrium occurring in the various yearly periods, taking the first year as a basis:

CHART 3

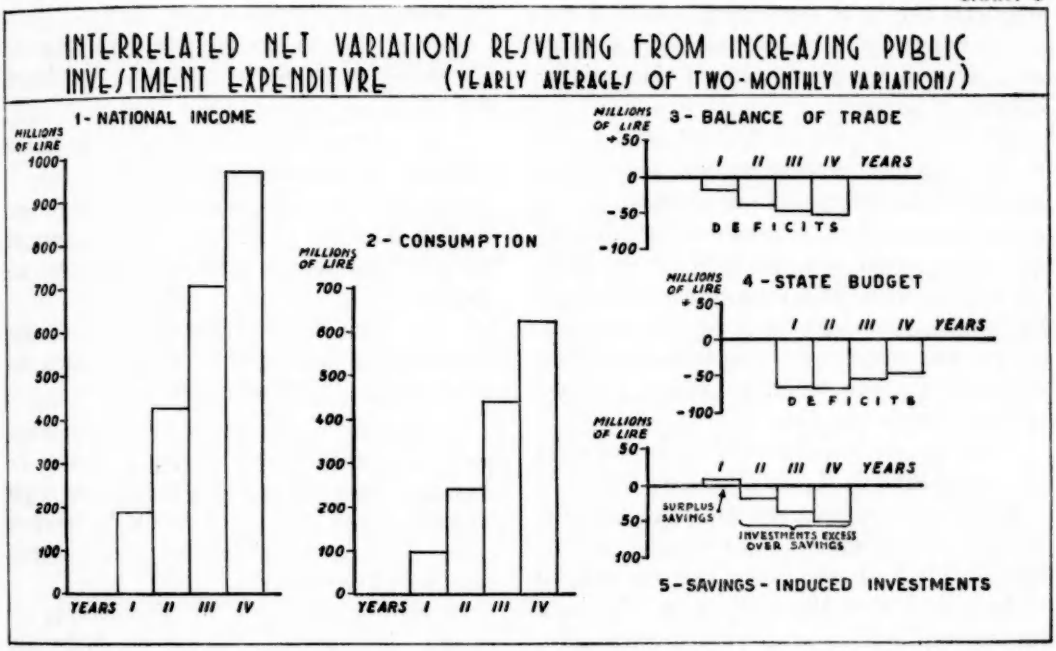


Table III

NET VARIATIONS RESULTING FROM AN INCRESING PUBLIC INVESTMENT EXPENDITURE

(first year variation = 100) (a)

	1st. year	2nd year	3rd year	4th year
Income and employment .	100	220	365	500
Consumption	100	253	467	665
Budget deficit	100	101	82	71
Trade deficit	100	213	250	280
Excess of private investments over monetary savings	-38	100	182	252

(a) For the savings-private investments ratio the *second* year variation has been taken as the basis.

The above figures show that, whereas income and consumption increase in the proportion of one to five and one to seven, the budget deficit falls from 1 to. 70 while the deficit in the balance of trade increases from 1 to 2.80, however at a decreasing rate. Also the excess of investments over savings follows a decreasing trend.

All these figures go to prove that — assuming an adequate increase in exports — the State budget, the balance of trade and the ratio of savings to investments would tend to return to the initial position even in the presence of a progressively expanding employment and consumption.

III. - *Relation between Public Investment Expenditure and Foreign Loans.*

As we already mentioned in the first section new imports may reach 34 per cent of public expenditure, given the economic structure of our country: we also saw in the second section that the demand for imported goods is further increased by the acceleration of investments. According to the assumption contained in this latter section the value of the imports resulting from additional public expenditure

would be one fifth higher, thus amounting to over 40% of the amount of the public expenditure which induced the imports. Accurate enquiries regarding the income and consumption pattern in the regions of Southern Italy might reveal even higher percentages.

The beginnig of a programme of public investments aiming at overcoming a state of economic depression is bound, therefore, to come as a blow to the existing equilibrium of the balance of payments.

The blow is particularly hard with regard to the structure of consumption and to the productive possibilities of our country, not so much because of the necessity of covering requirements arising directly from the execution of the programme of investments as because of the growing demand for foodstuffs and imported raw materials deriving from the higher standard of living resulting from the process of development.

However the imports required in order (a) to carry out the works considered by the initial public investment programmes, (b) to meet the demand for consumer goods induced by the latter, (c) to feed new export currents and (d) to keep pace with the acceleration of private investments, will be progressively determined, in quantity and in quality, in relation with the overall changes taking place in the whole of the country's economy.

The effects on imports of an additional volume of investments will be greatly different in an economy working to the utmost of its capacity like in Great Britain and in an economy like ours, which still has considerable unexploited capacity. They will differ in an economy such as that of Yougoslavia, where low technical standards make a rapid expansion of the productive capacity out of the question, and in an economy where such an expansion is possible, as in our case. During the initial stage when the flow of investments and consumption is increasing, the volume of imports required will vary according to whether or not the tempo of increase is in keeping with the capacity of our productive apparatus to expand sufficiently to meet this growing demand.

For instance, if cement has to ben imported at a certain tempo, a lower tempo will allow for imports of machinery to equip new cement factories, while at a still lower tempo it will be sufficient to import the steel required by the Italian factories manufacturing cement-making machines or even the scrap iron needed for increasing the domestc output of steel.

Now, what is our position regarding the availability of productive factors? We know that:

(a) part of the productive capacity of our industries is not being utilised;

(b) our technical standards are high and capable, within a reasonable period of time, of farther expanding the aforesaid productive capacity;

(c) considerable numbers of workers could rapidly be trained in order to meet the needs of expanding production.

Consequently, our country has ample opportiunities for a policy aiming at raising the economic level of Southern Italy. One might almost say that such action should be favoured rather than hampered by the other economic interests of our country.

Regarding the possibility of expanding our exports, for instance, there is no doubt that, once a home market is created for certain foreign goods now being offered to our exporters in exchange for Italian goods, they will be able to expand appreciably, taking into account the unutilised margines of productive capacity existing in certain sectors of our economy.

Thus, the recovery of certain industrial branches, such as the engineering industry, might be favoured by a policy of public expenditure in Southern Italy: it is sufficient to consider, on the one hand, the list of products being offered to Italy by foreign countries in exchange for our machine exports, and, on the other hand, the benefits that would derive from a flow of such products to the exhausted economy of Southern Italy.

And, once the unutilised capacity were exploited, better market prospects might give rise to an expansion of productive capacity. In view of Italy's satisfactory technical level, the demand for capital goods arising from this

expansion could, to a great extent, be conveniently met by the home market.

Naturally this does not mean that foreign capitals are not indispensable in large amount for such a programme; it merely means that import requirements will shift over from capital goods which can be manufactured in Italy to the raw materials needed to make them, to the foodstuffs and again to the raw materials required to satisfy the increase in consumption induced by the aforesaid domestic production of capital goods.

However, since the expansion of exports cannot but develop later than the demand for imported goods induced by public expenditure, foreign capital will be needed to start the plan of investments; and the amount of foreign capital needed will be determined by the ratio of imports to public expenditure and the tempo at which the exports induced by the investment plan will expand.

IV - *Anti-cycle Policy versus Anti-depression Policy.*

Any governmental action aiming at the utilisation — in a situation of stable currency — of the factors available in a depressed area, including the goods obtainable in exchange for larger exports or from the proceeds of foreign loans, is undoubtedly beset with difficulties and hazards still in great part unexplored.

The general line of thought followed by contemporary economists concerning the diffusion of the effects of additional public expenditure, which is that on which this enquiry is founded, does not in fact fit completely into the framework within which a proper policy for the depressed area must be carried out.

This line of thought considers mainly the various situations arising in the course of a business cycle and points out the new tasks which — in a cyclical economy — must be taken on by the State at the different stages of the cycle in order to ensure the smooth working of a system which, as far as possible, must always be based on private enterprise.

The reasonnig, as is well known, is based on the fact that investments and consumption increase and decrease together. An expansion of consumption is an incentive to invest more; on the other hand, if there is a drop in consumption, not only do investments decrease or cease completely, but even the renewal of plants is delayed or suspended. In the same way an increase or decrease in investments speeds up or depresses consumption and this in turn affects investments again. Either in one direction or in another, therefore, forces are set in motion which make it more and more difficult to restore equilibrium, by which we mean a situation in which all the available factors are employed and prices remain stable. Omitting for the moment to examine how these movements can be checked, we are faced by the alternative either of inflationary movements — that is to say of a demand exceeding the available factors — or of deflationary movements — namely towards situations in which large quantities of available factors remain inactive.

There is no denying that in such a situation governmental action, aiming at opposing the general upward or downward trend, is fully justified and, in principle, no longer questioned to day.

Rather it is interesting to compare the conditions of a governmental policy in the depression phase of a business cycle with the situation that must be faced in a depressed area.

During a slump, savings are not fully utilised for investments and, consequently, a growing availability of idle productive factors appears: in such a situation governmental policy, by deliberately incurring additional expenditure not covered by revenue — that is to say creating a budget deficit — endeavours to employ and, as a result of the effects of this policy, induce others to employ the largest possible amount of unutilised factors.

Naturally, governmental action is conceived as transitory: varied as opinions are, concerning the form to be taken by said action, it is generally agreed that if it is taken in time and with sufficient energy, that is to say if the State compensates private expenditure with a sufficient amount of public expenditure, there

will be an increasing flow of private investment which will soon make any further governmental action of an anti-cyclical nature superfluous.

The anti-cycle action to which, we repeat, usually economic doctrine refers to (8), is very different from the action demanded on the basis of the same line of thought in the case of a non transitory economic depression.

The differences may be summed up as follows:

(a) anti-depression action cannot be conceived merely as a helping hand designed to set going again a system that has got jammed, but is able to operate at a satisfactory level with its own forces. Where backward areas are concerned, governmental action has to be protracted for a long time; in our case, for instance, for a period which cannot even be determined, in any case more than one generation;

(b) governmental action which does not aim at « pump-priming » an efficient productive mechanism which has temporarily got jammed, but carries out low-profit works mostly of a merely social value, cannot expect a rapid increase in the volume of production proportionate to the volume of investments;

(c) idle factors in backward areas are not matched by a mass of monetary savings left unutilised by private enterprise and which the State can draw upon to carry out its investment policy.

The three above-mentioned points characterising the situation in a backward area deeply affect the modalities of governmental action such as it is usually suggested in the case of anti-cycle action; and this despite the fact that the common feature of factors not being used by private enterprise and only exploitable as a result of governmental action would appear to justify the same modalities both for anti-cycle and anti-depression policy.

Let us briefly examine the three points of differentiation mentioned above (9).

(8) Cfr. A. H. Hansen, *Fiscal Policy and Business Cycles*, New York 1941, p. 261.

(9) For a brilliant discussion of various points related to this subject see F. di Fenizio, *Studi keynesiani*, Milano 1949, p. 26 and *passim*.

Regarding the first point — the longer duration of governmental action — great importance is assumed not so much by the intensity and timeliness of the action — as in the case of anti-cycle policy — as by the capacity of public economy to persevere in its effort intensifying it progressively.

Consequently, the balance of payments will be subjected to a growing pressure, which leads us to the conclusion that a programme of economic development in a depressed area cannot be undertaken unless ample funds are available from abroad, ensuring the possibility of integrating the factors available on the home market with those which will have to be purchased abroad.

The second point governing public action in a backward area — namely the impossibility of obtaining a large and swift increase in the volume of production as is the case of anti-cycle action — also gives rise to particularly serious problems.

What we propose to do, in substance, is to use public expenditure to increase the supply of certain economic and social endowments of outstanding interest for the depressed area — land reclamation, houses, aqueducts, harbours, schools, hospitals, etc. — and this increased endowment will be accompanied by an increase in consumption: now, this increase in consumption may well outstrip the increase in production induced by the investments.

In this regard, a distinction must be made, in the case of developmental programmes which are not of an anti-cyclical nature, between investments aiming at valorising insufficiently utilised natural resources, the exploitation of which responds to recognised calculations of economic profitability, and programmes to be carried out in regions where the level of consumption is low, employment insufficient and the resources economically exploitable scarce. In short, it is necessary to make a distinction between underdeveloped regions — such as the Argentine — and depressed areas.

Obviously the expansion of consumption will need to be constantly controlled in depressed areas with reference to the expansion achieved by production. Should there be a

discrepancy between the two trends, however, it does not necessarily follow that the process of investments should be slowed down, provided of course that the needed factors are available.

If this occurs, it is necessary to take measures to modify the ratio of consumption to public expenditure so that, while public expenditure proceeds in conformity with the programmes drawn up, consumption increases at a more moderate rate such as is warranted by the quantity of consumer goods available.

It would indeed be absurd to renounce to investments justified by the available factors, just because it is not possible to raise consumption above a certain level.

We thus find ourselves in the presence of a situation very similar to that of a typical war economy characterised (10), as we all know, by a sharp increase in investments accompanied by the control of consumption. Since we have excluded from the very beginning the adoption of rationing as an instrument of economic action and want, at the same time, to avoid inflationary movements, and since there would be no sense in adopting a system of compulsory savings, inasmuch as the consumer goods which are not available today cannot be expected to be available tomorrow to the people in whose hands income flows today, there is no choice but have recourse to the fiscal instrument. That is to say, taxes on consumption must be introduced in order to reduce the propensity to consume, limiting it to the amount of consumer goods available.

These brief notes clearly show the decisive rôle that may be played by an efficient fiscal system when public expenditure is large and increasing as will be the case once large scale economic action is taken in favour of the depressed area.

But the most relevant difference between anti-cycle and anti-depression action is that in depressed areas the unexploited factors are not matched by a mass of monetary savings waiting to be invested. On the contrary, there is usually in depressed areas an acute shortage of monetary capital and very high rates of interest.

In such a situation, despite the government's endeavours to exploit only idle factors and not to deprive other public and private enterprises already under way of the resources they need, an issue of public securities aiming at covering the increased budget deficit would deprive other enterprises of the funds they require to proceed with their programmes at the anticipated rate.

This would lead to a paradoxical situation, in wich the required factors of production, although available, would remain unutilised because the market would react as if they were not available.

It would appear, therefore, that the problem of financing the budget deficit will unavoidably have to be solved otherwise than by means of a public loan (11); clearly this possibility does exist, since it must be admitted that, if all the necessary factors are available, both domestic and foreign, there must necessarily be a means by which they can be enlisted in order to attain the purpose desired.

To conclude, it should be remembered that the present paper, though it has made use of figures referring to the present Italian situation, has no intention of estimating the effects of additional public investment expenditure in favour of Southern Italy; its main purpose has been to adapt to Italy's specific situation the only scheme of reasoning that can help us solve a problem that would otherwise appear not only hopeless, but also impossible to understand.

But even if the figures quoted cannot be taken as a measure of the effects to be expected, the results of the enquiry show clearly the national importance of a policy of public expenditure in Southern Italy and the possibility of thus forming a broader basis and a solider and better balanced structure for the whole of Italian economy. In fact:

(a) the results of governmental action on consumption would expand all over the coun-

(10) Cfr. *The Economics of Full Employment*, Oxford 1944, Foreword, p. IV. Also J. R. Hicks, *World Recovery after War - A Theoretical Analysis*, in « The Economic Journal », June 1947.

(11) For interesting connections with this subject, see: A. H. Hansen, *Monetary Theory and Fiscal Policy*, New York 1949, p. 168 ff.

try and would not be confined to the depressed area.

(b) the State budget would have to bear a strain that would bring about far-reaching and permanent changes in its present structure.

Further, it should not be forgotten that the governmental action outlined in this paper contemplates, at first, the securing, of loans from abroad and, subsequently, the opening of foreign outlets for Italian production; an anti-depression policy would thereby also have international effects of considerable importance, destined to bear more and more weight in the growing international economic cooperation which Italy will be called to realize in the near future.

Italian Joint Stock Companies from 1938 to 1948

by

FRANCESCO COPPOLA D'ANNA

The Numerical Movement of Italian Joint Stock Companies.

The returns published by the Association of Italian Joint Stock Companies for December 31, 1938, show that there were then 20,809 such companies with a total capital of the nominal value of 53,129 million lire, the average capital per company being 2,553,176 lire.

Ten years later, on December 31, 1948, the number of Italian Joint Stock Companies had fallen to 19,818, while the nominal value of the capital investment had risen to 395,744 million lire, the average per unit capital being 19,968,917 lire.

The reduction that has occurred in the number of companies is really much more considerable than is shown by the ratio between the two figures given above, as in the first three years of the decade under consideration the upward trend, noted uninterruptedly since 1936, had continued. It may be of interest to learn that at the end of 1935 there were 19,228 companies in Italy with a total capital investment of the nominal value of 44,095 million lire. During the following six years, until 1941, the number of companies rose at a progressively accelerated rate. Thus while in the three years 1936-38 the number passed from 19,228 to 20,805, with a total increase of 1,581 companies and an average increase of 527 companies per annum, in the three following years, from the end of 1938 until the end of 1941, the number rose at a much more rapid rate, attaining an average of 2,084 companies per annum.

After touching the peak of 27,062 at the end of 1941, the trend suddenly changed, and the number of Italian companies fell successively to 23,709 at the end of 1942 (— 3,353), 22,591 at the end of 1943 (— 1,118), 19,067 at the end of 1945 (— 3,524 in two years), and 18,382 at the end of 1946 (— 685). Then the tide turned, and in 1947 the number rose to 19,547 (+ 1,165), and to 19,818 at the end of 1948 (+ 271) (See *Table I*).

We thus see that the shrinkage in the number of Italian share companies was very marked in 1942, but was considerably attenuated in 1943; it was again slightly accelerated in the two following years (1944 and 1945), the figures for which were included in one single return, and declined to a relatively small figure in 1946. The number of share companies thus fell by a total of 8,680 during the five years 1942-46, with an average reduction of 1,736 per annum. A change of such proportions deserves to be studied in its meaning and bearing, even though it has now ceased.

The event is not, indeed, unprecedented, for on more than one occasion there has been both a decline in the number and — even apart from the number — in the total capital investment in Italian share companies, whereas on the present occasion the shrinkage was in their number only. The longest and most serious of these periods of regression occurred from 1874 to 1879 when the number of companies fell from 392 to 285, accompanied, during the first four years, by a notable shrinkage of the total capital from 1,604 million lire (end of 1873) to 1,068 millions (end of 1877). A decline of shorter duration and on a smaller scale as regards the number of companies occurred in 1893 and 1894, accompanied by a reduction in the capital investment that continued for five years from 1892 to 1896, during which period the total capital fell from 1,961 to 1,604 million lire, thus returning to the amount at which it had stood twenty years earlier. Another period of shrinkage occurred in the quinquennium from 1931 to 1935, as far as the capital

investment was concerned, which fell from 52,280 million lire (1930) to 44,095 million in 1935.

MOVEMENT OF ITALIAN JOINT STOCK COMPANIES FROM 31.XII.1938 TO 31.XII.1948 TABLE 1
(*Data on capital in millions of lire*)

	1938	1939	1940	1941	1942	1943	1944 1945	1946	1947	1948
Investments										
New companies formed:										
number	—	2,966	3,605	4,311	1,388	135	265	634	2,069	1,272
capital	—	524.9	693.1	471.5	248,3	385.4	566.1	3,576.4	5,549.5	5,063.5
Capital increases:										
number	—	1,851	3,191	3,693	4,347	707	932	1,220	2,253	1,852
capital:										
gratuitous	—	229.1	460.9	925.4	1,074.3	15.4	33.5	1,315.8	36,999.0	83,305.3
other (a)	—	4,066.4	5,239.8	6,923.4	7,109.4	2,580.3	1,429.7	12,387.0	78,810.9	101,627.2
Total	—	4,295.5	5,700.7	7,848.8	8,183.7	2,595.7	1,463.2	13,702.8	115,809.9	184,932.5
Disinvestments										
Dissolutions:										
by amalgamation	—	356.0	612.9	171.4	3,502.4	1,056.4	100.4	139.0	550.3	28.4
by conversion	—	41.0	59.3	137.0	364.4	128.1	159.9	104.2	325.3	157.9
by winding up	—	261.6	385.8	560.1	1,394.0	245.5	806.5	457.1	307.0	834.9
totals:										
number	—	1,270	1,480	1,879	4,741	1,323	3,719	1,319	904	1,001
capital	—	658.6	1,058.0	868.5	5,260.8	1,430.0	1,066.8	700.3	1,182.6	1,021.2
Capital reductions:										
number	—	641	913	829	683	283	410	358	207	154
capital	—	1,023.4	583.4	685.9	512.6	377.6	540.6	700.9	416.7	908.2
Movement										
Investments:										
gratuitous	—	229.1	460.9	925.4	1,074.3	15.4	33.5	1,315.8	36,999.0	83,305.3
other	—	4,591.3	5,932.9	7,394.9	7,357.7	2,965.7	1,995.8	15,963.4	84,360.4	106,690.7
totals:										
number	—	2,966	3,605	4,311	1,388	135	265	634	2,069	1,272
capital	—	4,820.4	6,393.8	8,320.3	8,432.0	2,981.1	2,029.3	17,279.2	121,359.4	189,996.0
Disinvestments:										
number	—	1,270	1,480	1,879	4,741	1,323	3,719	1,319	904	1,001
capital	—	1,682.0	1,641.4	1,554.4	5,773.4	1,807.6	1,607.4	1,401.2	1,599.3	1,929.4
Net movement:										
number	—	+1,696	+2,125	+2,432	−3,353	−1,188	−3,454	− 685	+ 1,165	+ 271
capital	—	+3,138.4	+4,752.4	+6,765.9	+2,658,6	+1,173.5	+ 421.9	+ 15,878.0	+119,760.1	+188,066.6
Situation at the end of year:										
number	20,809	22,505	24,630	27,062	23,709	22,521	19,067	18,382	19,547	19,818
capital	53,129.0	56,267.4	61,019.8	67,785.7	70,444.3	71,617.8	72,039.7	87,917.7	207,677.8	395,744.4

(a) Inclusive of increases by amalgamation, reintegration of losses, contributions in kind, etc.

The reduction in the number of Italian share companies that occurred from 1942 to 1946, unaccompanied by a shrinkage of the total capital investment, has characteristics of its own which show that it was due to quite special causes.

(A) - First of all, objective circumstances arising from the progressively deteriorating military and political situation, seriously affected the decisions of the entrepreneurs, and therefore the formation of new companies.

Indeed, the reduction in the number of share companies in the five years under consideration, 1942-46, was not due only to an exceptional number of dissolutions in those

years, — or rather in some of those years —, but also, and perhaps mainly, to the striking reduction in the number of new companies formed.

In the five year period, 1937-1941, no less than 15,490 new companies had been formed, while only 7,781 were dissolved; but in the following five years, from 1942 to the end of 1946, the number of new companies was only 2,422 as against 11,102 dissolutions. Thus the annual average of new companies fell from 3,098 to barely 484, while the average number of dissolutions rose from 1,556 to 2,220. The reversal of the trend was therefore due both to more frequent dissolutions and to less frequent formation of new companies; but proportionately more to the latter than to the former cause.

The fact that in the period 1942-46, fewer companies were formed than in the five previous years and indeed in any other five years since the close of World Ware I, is clearly accounted for by the exceptional vicissitudes of that period.

Nor is it without significance that business enterprise began to slow down in advance of the political events that culminated in the fall of the fascist régime and the armistice. And perhaps equally significant is the sluggishness displayed in the revival of business enterprise when hostilities ceased.

(B) - In the case of dissolutions, their increase — exceptionally high in 1942 — was favoured by some special legislative and fiscal measures for facilitating amalgamations, conversions, and the winding up of some special kinds of companies. Such were:

(b-1) the revival of the previous fiscal facilities granted for company amalgamations (R. Decree Law, March 5, 1942, N. 192) leading to an increase in their number which continued in the ensuing year (482 in 1942, and 292 in 1943, as against an annual average of 107 in the previous three year period);

(b-2) still more marked was the effect of the two innovations introduced into the Civil Code of 1942: the establishment at 1 million lire of the minimum capital of share companies, and the recognition of the so-called *Società a responsabilità limitata* (a special form of Company, whereby each partner does not incur any liability beyond his contribution and the social capital is not represented by shares). The veto placed on the formation or prolongation beyond the fixed delays allowed, of share companies with a capital of less than 1 million lire certainly affected the number of dissolutions in the first years of the period under consideration, but it seems likely that it ceased to have any practical importance in the following years when currency depreciation grew apace. The possibility offered of forming *Società a responsabilità limitata* has however continued to exercise an influence on the situation, and not only has led existing share companies to change their status into the new form of company, but has also acted as a check on the formation of new share companies. Anyhow, in the case of the five years, 1942-46, the conversion of share companies into companies of other descriptions attained an average of 487 per annum, as compared to barely 95 in the previous three year period;

(b-3) an intermediate position is held by the measures facilitating the winding up of some kinds of companies, more especially of the small real-estate companies. The influence of these measures was only felt in 1942, as they ceased to be effective on the 30th June of that year: but it is quite likely that in 1942 they accounted largely for the increase in the number of liquidations shown by the statistical returns. In the following years the number of liquidations returned to normal as from 1943.

Summing up, during the five year period under consideration amalgamations show an average annual increase of 78 units over those for the three year period 1939-41, while conversions increased on an average by 392 per annum, and liquidations by 207. All three causes together gave rise to an annual increase of 677 in the number of dissolutions.

The distribution of the dissolutions as among the several groups of companies is no less deserving of attention than the reasons leading to them. A simple comparison between the numerical consistency of the companies belonging to the several groups shows that while the shrinkage extends to almost all the groups (with the exception only of the wool manufacturing, financial, insurance, shipping and

air-transport companies), yet it was highly concentrated. Out of a total reduction of 8,680 companies, no less than 2,867 were real-estate companies and 2,181 commercial companies. These are followed in order of importance by agricultural companies (—473), engineering companies (—417), road transport companies (—283), chemical companies (—256), public entertainment companies (—215), and so on.

Movement of Share Capital as a Whole.

As already stated, the total capital of Italian joint stock companies amounted at the end of 1938 to 52,129 million lire, the average capital per company standing at 2,553,176 lire.

Over the 3 year period 1939-41 the total capital rose from 53,129 million lire to 67,786 million, with an annual average increase of 4,886 million lire. During the next 5 year period the annual average increase declined to 4,026 millions, in spite of the progressive currency depreciation which steadily reduced the real value of the sums subscribed. At the end of 1946, the face value of the total capital of the Italian joint stock companies stood at 87,918 million lire, with a nominal increase of 20 milliards over the figure at which it stood five years earlier; but its real consistency had certainly decreased, even apart from war losses, for several thousands of companies had been wound-up or converted, thus subtracting from the total capital of Italian companies a much more conspicuous volume of wealth than that shown by the figures of the respective nominal amounts, while the capital subscribed for the new companies and the increases of capital made by preexisting companies were reckoned in current lire whose purchasing power amounted to an ever more trifling fraction of that of former days.

Nevertheless, during the five years under consideration, as the number of companies was progressively declining, their average capital rose from 2,504,832 lire at the end of 1941 to 2,971,206 at the end of 1942, 3,180,048 at the end of 1943, 3,778,245 at the end of 1945, and 4,782,816 at the end of 1946.

In 1947 both the total and the average capital took a stride forward, repeated, on a somewhat smaller scale, in 1948. The total figure jumped from 87,918 million lire in December 31, 1946 to 207,678 million at the end of 1947, and to 395,744 million at the end of 1948; and the average capital rose from the 4,782,816 lire at the end of 1946 to 10,624,535 at the end of 1947, and 19,968,917 lire at the end of 1948.

What these figures really mean cannot even be guessed. Should we wish for one moment to consider as current lire those in which the capital of our share companies are expressed, we should be forced to distressing and certainly paradoxical conclusions, for 396 milliard current-day lire are worth less than one third of the 5,643 million at which stood the capital of the little more than 3,000 share companies existing in Italy in 1913. This would lead us to the absurd conclusion that the number of companies had increased nearly 7 times in the last 35 years while their capital had been reduced to less than one third.

We have tried on another occasion to calculate for the whole period for which a continuous series of data exist, *i. e.* since 1872, the total capital held by Italian joint stock companies in lire of the same gold content. But, apart from the criticisms to which this calculation gave rise, and apart from the very roughly approximate results that can be reached by such method, it has become impossible to continue the series on account of the multiplicity of the exchange rates quoted in the several years and their almost complete unreality, whether official or formed on the free market, during a considerable part of the period under consideration.

The possibility of calculating the aforesaid capital in lire of a stable purchasing power would meet with difficulties of much the same nature.

On the other hand, if we trust to the valuations of the financial market, and if we suppose that we can extend to the nominal capital of all Italian share companies the ratio existing between exchange quotations and the nominal capital of the companies whose securities are quoted, we should indeed obtain a figure three times higher than that for the nominal capital of the twenty thousand odd companies now in existence, (1,244 milliard lire compared to 396 milliard at the end of 1948); but should we

venture to translate this figure into lire having approximately the same purchasing power as that of the 1938 lira, we should then perceive to our surprise that in spite of the hundreds of milliards of lire subscribed and paid by the shareholders in the last ten years, the market value of our companies not only has not increased but has been very heavily reduced. 1,244 milliard present-day lire have about the same purchasing power as 22 milliard 1938 lire; and 22 milliards represent little more than one fourth of the 83 milliards at which, if we apply the same system, the total share capital of Italian companies could have been valued at the end of 1938. Even taking into account the difference in the growth of the capital of the companies quoted on exchange as compared to that of those not so quoted, and therefore rectifying — as we shall do — the calculation, we still could not escape the conclusion that the whole body of Italian shareholders now holds property worth about one third of its value ten years ago.

As however during these ten years there have been conspicuous disinvestments and yet more conspicuous investments of new capital, we cannot be satisfied with a mere comparison between the value the market now attributes and that which it attributed ten years ago to company stock, and consequently to the whole capital of Italian joint stock companies.

We have therefore made the following calculation. We have multiplied the total nominal value of the stock of the companies existing at the end of 1938 by the average market quotation for it during the whole of that year, so as to ascertain the total amount that a hypothetical financial Institute would have had to pay had it wished in that year to purchase the entire stock of all the Italian share companies, on the presumption that the price of shares not quoted on the exchanges was — *pro rata* of their respective nominal value — the same as the average price at which shares quoted on the exchanges changed hands during that year.

We have thus obtained the figure of 83,864 million lire, which we may consider as representing the market value of the capital of all Italian share companies existing at the end of 1938.

We have added to this figure, year by year, the new capital amounts invested in Italian share companies, expressed in 1938 lire (dividing them by the average wholesale price index for each year), and we have deducted therefrom the disinvestment due to dissolutions or reductions of capital, made equal also to 1938 lire (by the usual method of multiplying the disinvestments by the percentage ratio existing, at the close of the previous year, between the total share value calculated in 1938 lire and the nominal value).

The results of this calculation are shown in *Table II.*

Having thus eliminated the expansion caused by the progressive contraction of the purchasing power of the lira, we find that the real movement of capital investments in Italian share companies has followed, roughly speaking, a line parallel to that already noted in the numerical development of the companies. It was on the up-grade in the years 1939-42, and on the down-grade in the following five years, rising once more in the last two.

We may conclude that the decade under consideration falls into three stages: the first three years mark an increase both in the number and in the total capital investment of Italian share companies, and, in the case of their capital, both of the nominal capital and of that converted into 1938 lire. The following quinquennium witnesses a decline in the number of the companies and in the total capital, reckoned in 1938 lire, though the nominal capital marks an increase. Finally, in the last two years, 1947-48, the number of companies shows a moderate increase; there is also an extremely moderate increase in the total capital expressed in equalised lire, and a spectacular increase in the nominal capital, due to the new subscriptions made in the tiny lire of to-day.

The Present Real Value of the Italian Share Capital.

The movement of total share company capital as shown in Table II, seems not only more in keeping with the indications already supplied by the changes which have occurred in their number, but also with the characteristic vicissitudes of the economic movement of

the decade under consideration. Nevertheless, it does not yet tell us whether the share capital of Italian joint stock companies is really worth more or less today than at the end of 1938. The comparison between the first and last figure of the last line of Table II (total capital of Italian share companies in adjusted lire) should lead us to the conclusion that there has indeed been an increase, if only a small one; so small that it might be considered as coming within those margins of error that are inevitable in calculations of this kind. In any case, the approximate figure for the increase would not even amount to two milliards of 1938 lire, being something like 2.5% of the initial capital.

On the other hand, if a comparison be made between the capital existing at the end of 1948 and that existing — always in adjusted lire — at the end of 1941, we find instead of an increase a very considerable reduction. The figure stands at 85,511.1 million 1938 lire as against an initial figure of 91,193.6 millions, a reduction of some 6%. It is certainly significant and cannot but be surprising, at least at first sight, to note that such a reduction has occurred notwithstanding the fact that 219 milliard lire of fresh capital was invested in Italian share companies in the seven years from 1942 to 1948. But, if full trust could be placed in the results of our calculation, and if we were justified in asserting that the total

CAPITAL VALUE OF THE INVESTMENT IN ITALIAN JOINT STOCK COMPANIES FROM 31.XII.1938 TO 31.XII.1948 — Table II

	1938	1939	1940	1941	1942	1943	1944-45	1946	1947	1948
(1) Investments (exclusive of gratuitous increases) in millions of current lire	—	4,591.3	5,932.9	7,394.9	7,357.7	2,965.7	1,995 8	15.963.4	84,360.4	106,690.7
(2) Investments (exclusive of gratuitous increases) in millions of 1938 lire (a)	—	4,402,0	4,875.0	5,445.4	4,695.4	1,296.2	136.8	553.5	1,635.2	1,950.8
(3) Disinvestments in millions of current lire	—	1,682.0	1,641.4	1,554.4	5,773.4	1,807.6	1,607.4	1,401.2	1,599.3	1,929.4
(4) Disinvestments in millions of adjusted lire (b)	—	2,655.0	2,496.5	2,241.4	7,765.2	2,261.3	1,959.4	1,659.0	1,532.1	783.4
(5) Net movement (inclusive of gratuitous increases) in millions of current lire	—	+3,138.4	+4,752.4	+6.765.9	+2,658.6	+1,173.5	+ 421.9	+15,878.0	+119,760.1	+188,066.6
(6) Net movement in millions of 1938 lire (c)	—	+1,747.0	+2,378.5	+3,204.0	−3,069.8	− 965.1	−1,822.6	− 1,105.5	+ 103.1	+ 1,177.4
(7) Nominal capital of italian joint stock companies at the end of the year, in millions of current lire	53,129.0	56,267.4	61,019.8	67.785.7	70,444.3	71,617.8	72,039.7	87,917.7	207,677,8	395,744.4
(8) Capital of italian joint stock companies at the end of the year in adjusted lire (d)	83,864.1	85,611.1	87,989.6	91,193.6	88,123.8	87,158.7	85,336.1	84,230.6	84,333.7	85,511.1

(a) Investments in current lire divided by the wholesale price index (1938=1) compiled by the Central Institute of Statistics.
(b) The figures have been calculated by multiplying the disinvestments in current lire by the percentage ratio existing at the end of the last previous year between the total capital value expressed in 1938 lire and the total nominal capital.
(c) This «investment» is given by the difference between the investments in 1938 lire and disinvestments in adjusted lire (2-4).
(d) The end of year situation is obtained by adding to the situation of the previous year, or deducting from it, the net movement in 1938 lire.

capital of the aforesaid companies has not, as a whole, been curtailed during the ten years under consideration but has, on the contrary, slightly increased, we might consider the situation without great anxiety, especially as the reduction above referred to was largely due to voluntary liquidations, conversions, and amalgamations made for reasons of a legal and fiscal nature, which did not entail for the country a real loss of capital.

Unfortunately, the national estate, and with it the capital of Italian share companies, has suffered heavy losses not included in our calculation. It would not have been possible to express war losses adequately in the balance-sheets, not even those that have been repaired, because neither the reserves nor indeed the capital of the companies as shown by their balance-sheets could cover them if expressed in post-war lire. The possibility of covering them would indeed exist — at least in most cases — had it been possible to revalue the surviving assets; but at first this revaluation was not allowed, and even now existing principles of taxation contain that possibility within extremely narrow limits. On the other hand, it is expedient for the companies to keep in evidence the war losses suffered so as not to prejudice, even if only formally, their right to any payments that may be made in compensation.

We should therefore make deductions for war losses from the figure at which the total capital of Italian share companies may now be calculated. This, as we have said, must be done even in those cases in which the damages have been repaired because, except in the all too rare cases in which it has been possible to meet the cost out of the profits earned in the first post-war period, these repairs have had to be paid for by the creation of debt or by those capital increases that statistics register.

But the losses caused by the war are not restricted to those generally included under that head. Even more serious perhaps than the destructions, damages and lootings caused by war has been the waste of assets caused by the impossibility, first material and then financial, of attending to the upkeep, repair, and replacement of buildings, fixed capital, and inventories to the extent that would have been necessary for the preservation of the previous economic situation.

It is quite impossible to ascertain the amount of the losses suffered by Italian companies due to these two sets of causes, and of the other losses they may have suffered owing to the anti-economic conditions under which many of them worked, and which the progressive inflation of prices has concealed most of the time from the directors and auditors themselves.

Were we to trust the valuation of such losses by the stock-exchanges, we should be forced to the conclusion above mentioned, *i. e.* that the loss exceeds 70% of the capital investment. It should however be remembered that the average quotation for each 100 lire of nominal capital as shown by current prices on the exchanges, cannot be applied *sic et simpliciter* to shares not quoted on the market, partly because capital increases (both in cash and gratuitous) have been made for the most part by companies whose stock is dealt with on the exchanges. The capital of 144 leading companies whose shares are quoted on the exchanges rose from 21,649 million lire on December 31, 1938, to 243,702 million on 31st December 1948, having thus increased 11-fold, while the capital of the remaining share companies only rose from 31,480 million to 152,042 million lire, having thus increased barely five-fold. If the capital of all Italian share companies had increased eleven-fold, it would amount in all to some 584 milliards instead of the present 396, and the market value of the entire stock, on the basis of the average quotation of December 1948 (*i. e.* 314.63 lire per 100 lire nominal value), would stand at 1,837 milliards instead of 1,244. The market value of each 1938 lira invested in Italian share companies would thus stand around 21.5 lire (end of 1948), and the capital loss on the whole stock of Italian companies would thus be reduced to a little over 60%.

But even so, the conclusion reached is not conforting.

Nor is it any good to object that these are statistical calculations of doubtful reliability, and in any case only rough approximations. The fact is that if a shareholder is obliged to sell today the stock he holds, he receives a value

corresponding to the stock-exchange quotation in the case of shares quoted on the market, and a value not very different from that in the case of other companies. And therefore, as far as he is concerned, the loss is an actual and, unfortunately, a definite one.

But even those who are able to hold on to part or all the stock they hold, are still in doubt as to the ultimate fate of their property. Do present levels justify the hope that the quotations will gradually rise to others adjusted to the reduced purchasing power of the currency? Will they, that is to say, rise to something like two and a half or three times those now current? Or if this adjustment be deemed unrealisable in view of the actual loss of a part of the capital assets, what limit may they hope to reach within a reasonable time?

Far be it from me to attempt to answer such enquiries. But though it is impossible to fix any definite amount, there is reason to believe that a part at least of the distance that divides present quotations from those that would represent a full adjustment to altered monetary values, may be shortened at not too distant date. Apart from the loss of capital assets, that moreover varies greatly from one company to another, there are today two contingencies that force down quotations to unduly low levels, the scarcity of savings and the low profits earned by business.

The scarcity of capital has unfortunately always been a feature of our economy; but though capital has never been abundant, yet there have been periods in which the scarcity has been much less severe than it is now, and there is no reason for excluding the possibility of a relief of the present financial stringency.

The main reason of the present low quotations is however to be found in the low return on the capital invested. The dividends paid by the 144 companies to which we have referred amounted only to 10,595 million lire in 1948, as compared to 1,687 million in 1938. The increase was thus only a little over six fold; and even if these companies have succeded in distributing twice that amount in 1949 — as it was rumored they would do — it will still be only 13 times the pre-war return on capital. Moreover, if these hoped-for 21 milliards are capitalised at 5%, the capital value will stand at 420 milliard lire, a sum not even twice the nominal capital of the aforesaid 144 companies (243.7 milliard lire). Judged by this standard, the quotations which on December 31, 1948 averaged more than three times the nominal value, should be considered not as too low but as too high. They do, indeed, discount to some extent the higher future yield. Were it not for this expectation, and also, to some extent, for the lingering fear of lira devaluation, it would be impossible to explain the present rate of capitalisation, and, in the long run, in a country where capital is scarce as it is in Italy, that rate could not be maintained. But if it be true that most of the plants have been reconstructed and requipped, and that the output potential of Italian industries to which most of the share companies belong, is now, to say the least, equal to the prewar figure, why should it be impossible to see them in the future distribute not six or fifteen but forty of fifty times the amounts paid out in dividends prior to the war? In any case, more substantial and more rapid progress than that so far discounted by the exchanges may be considered likely; and this cannot fail to favor the upward trend of quotations while reducing the loss resulting from the extremely low level round which they now stagnate.

That this level is indeed low when compared to the pre-war figure is confirmed by the calculations made by the *Mediobanca* and published under the title « *Returns and other Particulars concerning Italian Investment - Index* 1928 - 1948 ». These calculations show that, taking as a basis the prices quoted on June 30, 1948, a lira invested in Italian stock at the beginning of 1938 was worth (June 1948) on an average only 13.13 lire. This figure is lower than the one calculated by us (14.54 lire at the end of 1948 for each 1938 lira invested in Italian share companies). But it should be noted that the quotations at the end of June 1948 were about the lowest of the year and that between then and the close of 1948 a 31% increase occurred. Had the calculation therefore been made at the latter

date, it would have shown a value of some 16 lire for each one invested at the beginning of 1938; a figure logically higher than the one we calculated.

That the ratio calculated by the *Mediobanca* between the present market value and that of the capital invested in shares before the war, should be higher than that calculated by us is the logical consequence of the system followed in making the two calculations. In ours the variation in the quotations plays an essential part, the purpose of the other factors used being to eliminate the disturbing influence of the variations in the purchasing power of the currency. But in the calculation made by the *Mediobanca* another factor is introduced, that of the reinvestment of those proceeds that are not really dividends (*i. e.* bonus issues in the parent or in auxiliary companies, option rights, repayments of capital and other incidental benefits).

In any case, the difference is not such as to invalidate the conclusions reached by us (1).

Distribution by Business Branches of the Italian Joint Stock Companies.

Table III shows the distribution of Italian share companies, classified by number and by capital, among the several business groups at the end of each of the last ten years. We shall limit our remarks to a few main points.

As already stated, the total number of companies has somewhat declined in the last ten years, in spite of a slight recovery in the last two. While for companies as a whole this decline is relatively small (4.76%) it is seen to be much more considerable for most of the groups in which it occurred; some groups, on the other hand, show an increase, both relatively and in some cases absolutely.

The largest decline in absolute figures is that of 551 for city real estate companies; the next in importance being that of 424 in the case of commercial companies. Considerably smaller is the reduction for road-transport companies (— 123) and sundry companies (— 103). In the case of electric power companies and those engaged in the printing trades there was a reduction of 92 for each.

The relative reduction was heaviest for « sundry » companies, whose number fell by 55.08% at the end of the decade as compared to December 31, 1938. Next in importance is the reduction for scholastic companies (— 44.07%). Traffic ancillary companies were reduced by 39.13%; in the case of printing companies the reduction stood at 36.22%, and so forth.

Whilst for most groups the number of companies declined, some showed an increase, even of some importance, as in the case of companies engaged in farming whose number rose from 846 at the end of 1938 to 1,147 at the end of 1948 (+ 301), engineering companies which rose from 1332 to 1,542 (+ 210), financial companies which rose from 115 to 204 (+ 89), agricultural and food industries (+ 76), etc.

The highest percentage increase was registered for air transport companies (+ 200%), though their actual number only rose from 5 to 15. Next come the financial companies (+ 77.39%), the wool companies (+ 61.39%), sea transport companies (+ 52.21%), wine and liqueur companies (37.93%), farming companies (+ 35.58%) and so forth.

The behaviour of the last mentioned group deserves notice as it shows remarkable dynamic energy. At the end of 1938 there were only 846 such companies, but at the end of 1941 their number had risen to 1474. This was followed by a decline, at first rapid and then gradually slowing down, so that at the end of 1946 only 1,002 companies belonged to this group. A year later the number rose once more to 1,106, and at the end of 1948 stood at 1,147.

The trend of the engineering companies has been similar. They rose from 1332 at the end of 1938 to 1,804 at the end of 1941; they then touched a low of 1,387 at the end of 1946,

(1) In the meantime the CENTRAL INSTITUTE OF STATISTICS, Rome, has compiled similar index numbers of capitalisation for 122 leading Italian shares, showing at the end of 1948 an *average* capital value of 15.88 lire for 1 lira invested in January 1938. See P. BATTARA: *Index Numbers of industrial Production and Capitalisation in Italy*, in this Review, n. 9, April-June 1949, p. 118 et seq.

DISTRIBUTION OF NUMBER AND CAPITAL OF ITALIAN JOINT STOCK

Economic groups	1938		1939		1940		1941	
	N.	Capital (lire)	N.	Capital (lire)	N.	Capital (lire)	N.	Capital (lire)
Banking	193	2,515,523,515	180	2,521,895,515	168	2,625,742,215	167	2,684,848,255
Financial	115	2,235,101,700	117	2,557,831,700	132	2,574,221,700	130	2,927,096,523
Insurance	76	794,749,999	75	790,175,999	77	990,185,999	73	997,920,993
Mining and quarrying	420	2,180,587,410	462	2,498,340,121	510	2,447,068,187	564	2,979,715,171
Metallurgy	165	3,847,564,150	174	4,042,844,150	181	5,679,344,650	198	6,911,532,650
Engineering	1,332	3,677,962,490	1,461	4,090,725,710	1,632	4,549,392,580	1,804	5,234,914,070
Electric power	348	10,629,498,178	341	11,373,475,228	324	11,739,395,728	329	12,859,219,828
Silk	138	211,853,703	141	214,181,803	147	215,178,903	154	218,784,253
Cotton	319	1,305,616,734	326	1,423,738,734	341	1,475,054,234	338	1,807,026,734
Wool	101	624,386,700	104	622,651,500	118	670,634,900	114	712,343,900
Sundry textiles	406	636,355,717	423	657,530,935	463	701,362,035	497	810,874,235
Hats	63	73,367,000	61	817,21,000	69	83,110,200	71	86,634,450
Synthetic fibres	29	959,609,000	30	1,166,149,000	30	1,165,929,000	32	1,571,809,000
Clothing	152	72,248,400	184	77,251,600	233	88,532,400	252	105,296,400
Tanning	83	102,033,500	90	104,729,500	109	124,510,000	122	137,891,800
Footwear and leather goods	110	84,341,600	121	88,002,600	133	108,108,600	142	116,580,600
Wood	294	235,143,463	319	252,845,420	346	269,721,716	388	296,878,720
Building and allied trades	681	640,407,052	737	625,597,434	775	640,106,884	827	698,959,224
Cement, lime, plaster, bricks, and cement goods	353	592,527,392	372	591,243,152	401	631,249,552	416	688,648,522
Glass and pottery	213	434,399,762	218	456,066,062	229	460,231,062	236	497,609,550
Fisheries	52	56,800,000	49	60,039,000	56	74,849,400	63	105,273,000
Milling, edible paste and threshing	299	564,456,615	314	577,461,715	329	606,945,357	337	655,431,245
Wines, liqueurs and allied trovades	145	244,862,080	157	267,849 080	168	300,798,080	173	315,082,300
Aerated waters, beer, cold storage, and malt	137	182,185,600	144	181,768,900	140	184,020 460	138	187,304,700
Agricultural and sundry food industries	365	461,726,170	390	485,009,130	413	489,674,905	473	618,797,447
Sugar, sweetmeats, ancillary and derived products	155	1,011,795,040	155	1,037,064,040	157	1,005,586,090	163	1,088,337,250
Chemical trades	998	4,082,137,076	1,049	4,177,012,434	1,143	4,917,359,454	1,224	5,370,936,614
Paper	174	522,902,300	181	562,886,300	187	666,293,150	198	810,138,150
Newspapers and periodicals	254	86,246,540	261	85,633,840	277	87,547,740	282	98,255,590
Printing and allied trades	201	104,470,268	199	105,392,868	211	105,951,968	233	116,015,268
Publishing	77	67,022,935	73	65,666,410	78	80,191,900	79	83,704,202
Gas and water supply	138	1,146,459,600	141	1,149,348,425	140	1,222,871,650	136	1,241,393,650
Spas and mineral baths	71	107,501,400	74	109,526,200	71	109,701,830	75	86,970,830
Public entertainments	476	220,173,132	507	236,919,700	551	299,937,900	594	348,397,300
Sundry industries	423	867,327,935	455	953,305,585	493	990,952,085	526	1,156,738,785
City real-estate	4,723	3,795,103,641	5,199	3,928,178,381	5,606	4,150,011.021	6,619	4,224,590,842
Sea transports	113	2,422,770,445	116	2,424,194,470	112	2,448,333,820	128	2,491,679,820
Railway, tram and inland water transports	187	873,234,067	190	839,803,917	189	834,693,357	186	813,771,867
Air transports	5	62,800,000	6	147,700,000	5	152,700,000	5	152,700,000
Auto-vehicle transports	438	153,023,372	447	166,111,880	470	183,045,380	483	192,957,380
Traffic auxiliary trades and subsidiary transports	184	95,833,300	196	97,987,100	191	100,117,700	193	105,210,700
Electric communications	11	985,165,000	10	998,865,000	10	1,053,865,000	9	1,051,165,000
Hotel companies	515	437,337,906	551	430,118,386	580	484,872,083	576	487,467,790
Commercial companies	3,884	1,399,534,055	4,425	1,500,853,392	5,156	1,590,542,343	5,517	1,780,779,702
Nursing homes	101	85,626,643	104	87,953,643	108	93,662,643	110	93,401,143
Private scholastic institutes	59	20,453,173	58	21,114,750	58	19,074,250	57	20,289,250
Agricoltural companies	846	1,144,514,710	939	1,263,382,910	1,133	1,457,831,060	1,474	1,674,409,680
Sundry companies	187	74,311,750	179	69,345,250	178	69,364,700	157	69,985,700
Total	20,809	53,129,052,218	22,505	56,267,489,869	24,630	61,019,875,871	27,062	67,785,770,091
Average capital		2,553,176		2,500,221		2,477,461		2,504,832

COMPANIES AMONG THE SEVERAL ECONOMIC GROUPS (1938-1948) TABLE III

1942		1943		1944 - 45		1946		1947		1948	
N.	Capital (lire)	N.	Capital (lire)	N.	Capital (lire)	N.	Capital (lire)	N.	Capital (lire)	N.	Capital (lire)
162	2,834,950,925	163	2,861,795,925	159	2,878,205,925	160	4.661.049,225	170	6,160,059,225	180	7,511,142,225
135	3,075,076,375	132	3,191,905,325	131	3,207,266,325	148	3,822,119 825	191	8,529,362,775	204	18,551,676,325
76	1,000,514,999	75	1,010,509,999	71	1.000,859.999	74	1,292.859.999	77	3,143,174.999	79	7.953.774,999
580	3,502,055,700	548	3,535,896,050	447	3,560,405,470	421	5,772,342,220	428	15 507,913,580	406	28,225,142,820
196	7,682,784,875	189	7,685,712,875	175	7.625,683,875	176	7,799.613,550	189	24.022.939,700	203	29,574.429,200
1,788	5,853,653,380	1,708	6,179,241,320	1.482	6,339.168 050	1.387	7,403,853,350	1.496	21.358,686,150	1,542	60,167,006,050
295	12,511,802,628	284	12,309,140,528	260	12,309,360,210	259	13,712,340.210	254	44,762,729.410	256	101,296,337,410
142	253,899,253	135	265,733,253	128	267,123,253	127	382,069,700	138	867,705,200	143	1,137,135.200
313	1,870,702,234	305	1,857.790,206	295	1.865,396,500	293	2.083.739.000	320	4,686,008.000	323	7,045,700,500
106	759,754,000	109	782,454,000	104	790.748,000	114	1,043,388,000	152	2,311,258.000	163	3,181,314,000
479	839,911,789	459	869,280,809	408	867,047,809	377	964,148,809	391	2,198,955.134	388	3,969,454,316
63	87,975,200	61	90,915,200	54	87.435,200	51	98,510,000	49	301,025.000	47	409.575,000
33	2,056,238,000	29	2,021,188,000	28	2.019,638,000	27	2,038,038,000	27	6,175,823.000	27	10,688,373,000
227	111,175,400	223	117,775,400	172	124,056,900	159	130,620,900	162	278,253,500	156	332,203,500
112	142,087,450	113	143,667,450	98	137,620,450	92	191,335.000	108	546,115,000	107	735.400,000
131	114,666,600	129	122,696,600	101	116,327,600	97	136,597,600	101	341,595,000	101	520,410,000
375	309,356,920	356	314,979,920	293	316,965,350	271	498,712,800	275	628,181,300	280	800,249,300
757	691,544,735	721	677,600,013	622	803,521,491	646	1,089,169,991	723	2,336.919.991	737	2.914,692,591
384	666,623,816	357	665,619,616	324	667,847,661	313	839,305,087	307	1,311,709,645	291	3,682,093,345
225	512,874,350	214	526,892,350	191	551.563,750	192	693,268,750	200	1,815,607.250	194	3,277,560,250
64	100,529,500	57	152,669,500	46	151,182,900	41	149,967,400	44	456,367,400	46	474.667,400
325	659,275,699	320	659,281,615	280	656,104,915	275	726,397,315	285	1,247,107,815	289	2,111,626,950
167	332,699,300	160	348,684,300	157	381,182,300	165	532,616,860	196	715.162,860	200	1,035,949,860
122	186,281,810	115	178,704,710	100	177,572.710	97	203,788,710	103	511,176,710	97	526,799.210
473	757,951,447	453	751.463,847	404	767,276.975	397	944.642,975	434	1,701,582.975	441	2,750.600,675
143	1,116,568,291	139	1,107,910,291	118	1,099.958,300	111	1,162,131,400	122	1,751,349.400	132	4,035,199,400
1,188	5,683,106,265	1,142	5,803,927,465	1,006	5 922,373,225	968	6,749,430,675	1,003	12,045,450.175	1.005	20,211,635,875
185	811.457,325	181	1,054,305,525	161	1,020,633,525	160	950,285,525	162	2.029 700,025	162	3,163,758,025
272	105,172,615	254	104,273,615	195	111,409.815	179	118,489,565	180	303 643,325	162	341,273,325
233	121,547,268	221	120,938,010	172	140,753,510	163	173,930,310	163	343 212,300	154	505,638,300
75	79,542,300	74	91,602,300	70	131,677,400	77	195,177,200	85	324 387,200	90	496,607,200
132	1,330,516,350	124	1,329,731,350	116	1.332,294,550	115	1,672,434,540	116	4.792,587,740	117	11,487,332,740
75	97,630,530	72	93,341,530	61	94,807,630	59	98,784,200	61	235,778,500	60	320,458,500
581	430,382 060	551	431,920,110	397	374,463,410	379	625,439,210	405	1.101,341,210	404	1.930,401,750
498	1,303,796,105	477	1,757,989,605	398	1,754,648,105	373	3,666,600,105	378	6,778 443,605	392	12,196,386,805
4,472	3,411,772,850	4,179	3,343,597,050	3,838	3,343,744,825	3,752	3,765,225,706	4,040	6,377,191,785	4 172	9.999.577,935
130	2,545,680,820	131	2,556,650,820	127	2,597,899,820	133	2,771,204 820	163	3,046,943.220	172	3.795,030,420
186	824,498,367	179	836,251,667	169	814.437,417	167	980,694,164	174	3.406,723 814	175	3,624,222,314
5	152,700,000	5	152,700,000	4	152,200,000	8	1,051,200,000	12	1.520,200,000	15	2,495,128,000
445	199,249,170	416	213,239,950	330	221,762.250	300	325,940,050	324	624,208,200	315	1,309,028,200
169	105,992,700	165	106,794,700	124	107,646,000	112	161,929,000	114	180 029 000	112	354,525,000
9	1,096,765,000	9	1,096,765,000	10	1,097,265,000	10	1,097,265,000	10	2,072.065.000	10	6,605,900,000
537	490,863,394	519	505,288,774	435	549,083,072	423	537,704,916	443	909,181,416	452	1,899.379,716
5,215	2,087,270,230	4,914	2,060,464,455	3.592	1,983.775,396	3,336	2,654,004,614	3,459	5.387,267,463	3,460	8,506,231,903
104	95,497,643	99	95,171,000	87	92,833,000	87	106,358,000	87	145,751,500	93	173,828,500
41	17,527,050	38	17,517.050	35	20,621,050	33	20,546,050	32	20,346,050	33	21,450,050
1,149	1,350,900,330	1,096	1,347,042,055	1,014	1,336,298,925	1,002	1,740,823,525	1,106	2,243,733,025	1,147	3,256,946,225
135	71,517,200	121	68,847,200	78	69.653,200	76	81,438,200	88	122,808,200	84	141,156,200
23,709	70,444,340,648	22,521	71,617,868,333	19,067	72,039,801,043	18,382	87,917,741,051	19,547	207,677,791,772	19,818	395,744 410,509
	2,971,206		3.180.048		3.778,245		4,782,816		10,624 535		19,968,836

rising again to 1,542 at the end of 1948. The behaviour of the metal, silk, sundry textile and other groups has followed much the same line, as well as several other groups not listed here.

If we examine the movement of capital we find that the increase, especially in the last two years of the decade, has been such that it will be readily understood why all the groups register at the end of the period figures considerably higher than at the beginning, the increases varying from 5% for scholastic companies to a maximum of 3,860% for the air-transport concerns (the groups for which the percentage number of new companies was also the largest).

The amount of the capital increment has varied so greatly that the distribution of total investment between the several groups shows wide variations. Nevertheless, the electric-power companies still hold the first place in the scale and have indeed strengthened their position, raising their share of the total capital investment from 20% over 25%. On the other hand, companies engaged in the chemical industries, which ranked second until 1938, have since been superseded by other groups and now rank fifth. The second place is now held by the engineering companies which have raised their quota of total investment from 6.92% to 15.20%. The third place is still held by the metal trades with a percentage of 7.47 instead of 7.24 per cent of total.

ITALIAN JOINT STOCK COMPANIES, BY TERRITORIAL DISTRIBUTION — TABLE IV

District	1938		1945		1948	
	Number	Capital	Number	Capital	Number	Capital
Piemonte	2,031	6,854,665,424	1,865	7,807,598,873	1,965	61,954,450,326
Liguria	1,498	6,099,101 415	1,2 9	7,772,481 440	1,397	23,519,373,290
Lombardia	9,280	19,638,209,871	8,290	27,399.352,332	8,598	169,716,688,786
Venezia Tridentina	134	154,687,113	115	254,620,084	125	805,147,784
Veneto	1,014	2,971,190,035	1,033	3,733,041,052	1,092	19,662,892,297
Venezia Giulia e Zara	33?	1,463,625,692	358	1,517,474,750	331	1,438,023,300
Emilia	1,045	914,029,617	1,130	1,242,024,215	1,219	5,889,011,950
Northen Italy	15,334	38,095,509,167	14,090	49,726,592,746	14,727	282,985,587,733
Toscana	1,086	2,159,955,371	1,080	2,965,519,520	1,040	13,843,269,332
Marche	160	77,318,030	130	63,231,600	115	178,162,450
Umbria	119	52,833,262	72	45,979,550	69	212,034,550
Lazio	2,726	9,556,792,752	2,691	15.518,479,802	2,787	70,567,021,404
Central Italy	4,091	11,846,899,415	3,973	18,593,210,472	4,011	84,800,537,736
Abruzzi e Molise	84	41,285,768	54	26,470,600	46	41,069,100
Campania	815	2,598,228,815	593	2,874.543,745	621	21,045.547,210
Puglie	113	88,143,250	89	94,264,400	98	548,895,400
Lucania	13	6,691,000	9	7,771,775	10	12,161,775
Calabria	48	16,513,600	40	18,077,300	45	132,216,000
Sicilia	262	408,788,903	178	615,963,605	218	4,461,129,172
Sardegna	49	26,992,300	41	82,636,400	42	1,717,266,400
Southern Italy and Islands	1,384	3,186,643,636	1,004	3,719,997,825	1,080	17,958,285,040
TOTAL	20.809	53,129,052,218	19,067	72,039.801.043	19,818	395,744,410,509

Territorial Distribution of Italian Joint Stock Companies.

Less striking but perhaps no less important than the variations that have occurred in the distribution of number and capital as between the several groups, are those in their territorial distribution (*Table IV*).

Restricting our observation to the three main geographical divisions, we find that North Italy has maintained her predominant position practically unchanged. The percentage of number shows a slight increase accompanied by a trifling reduction in the relative capital

percentage. In Central Italy the situation has remained much the same though the variations are a little more marked, the percentage number of companies having increased somewhat while that of capital has declined. In the case of Southern Italy and the Islands the situation is reversed. The reduction in the number of companies has been more marked, but this has been offset by a proportionally larger increase in total capital than in the case of other parts of the country.

However, while all the districts in the South and the Islands register a higher than average percentage reduction in the number of companies, only some of the districts, and precisely Sardinia and Sicily, show a higher percentage increase in their quota of the total capital investment than the global average. In any case, the data for joint stock companies clearly show the backwardness of the economy of South Italy, and the vast scale of the problem that has to be solved to assure its development (2) (3).

(2) See, on this subject, A. MOLINARI, *Southern Italy*, in this Review, n. 8 January-March 1949, p. 25 et seq.

(3) The present article was in print, when the data about the movement of Italian Joint Stock Companies in the first half of 1949 became available, showing a marked increase both in the number and in the capital. This increase has been much more considerable than that registered for the whole of 1948.

The *net* increase in the number of Companies stood at 271 in 1948, while in the first half of 1949 it rose to 626 (1,145 new Companies, less 519 dissolutions), so that at the end of June 1949 the total number of Companies reached 20,373.

In 1948 the *net* increase in the face capital amounted to 188,066 million lire, as against 190,303 millions for the first six months of 1949 (Lire 194,936,067,109 of new investements and capital increases, less Lire 4,632,947,499 of disinvestments). Thus on June 30, 1949 the total share capital of Italian Companies amounted to 586,028 million lire. The total investments for the half year (194,936 million lire) were mainly — *i. e.* 190,447 millions — capital increases made by 1,154 companies, of which 114,656 millions were in the form of free increases of capital, 71,085 millions cash payments, and the remainder the result of contributions in kind, amalgamations, etc.

During the same period 1,131 debenture issues were made for a total value of 40,540 million lire, of which 16,717 millions can be converted into shares.

The Construction of Wholesale Price Index Numbers and Wholesale Price Trend in Italy, May 1946-July 1949

by

MARIO IMPERATORI

The construction of wholesale price index numbers in Italy was suspended in 1943 and begun again by the Central Institute of Statistics in May 1946.

For practical purposes, especially with a view to continuing the historical series, the list of commodities considered should have been the same as in the past. This requirement, however, ran up against the insuperable difficulty of ascertaining the current prices of some of the goods included in the former series. The country had recently emerged from a disastrous war. Transport services had not yet been fully reopened and goods could not be readily moved from one part of the country to another. Many industries were at a standstill or were working short time because of the scarcity of raw materials, coal, power, etc. The regional offices, which were responsible for collecting price data, were being reorganised and frequently lacked the necessary technical equipment. This made it a difficult task to collect the data, and the list of commodities had to be slightly modified to the exclusion of some products the prices of which could not be ascertained the time when the index was being once again compiled. In their stead certain other items were introduced for which it was possible to obtain price returns. This explains some of the changes in the list of products and some of the gaps which will be filled as soon as possible.

Classification of the commodities.

The wholesale price index now constructed by the Central Institute of Statistics measures price variations for 109 commodities selected from the more important and representative products on the Italian wholesale market.

The commodities are classified in three groups, graded according to the stage of processing: *i.e.* raw materials, semi-manufactured goods and finished products. Within each group the items are further subdivided in three sub-groups according to their origin: mineral, vegetable or animal.

The distribution of items under this plan, based on the stage of processing and on origin, follows the main lines of the economic classification proposed in 1929 by the Economic Committee of the League of Nations. It is moreover justified by the fact that raw materials, semi-manufactured goods and finished products have clearly differentiated price trends, depending partly on their economic function and on the stage reached in the productive process, and partly on their origin.

Prices Returns.

Prices are ascertained by the Chambers of Commerce and the Provincial Offices of Trade and Industry, assisted by some business firms that have agreed to send in price returns for certain commodities, especially finished products that they manufacture.

In the case of farm products which must be delivered to pools or distributed by them and of the products obtained therefrom, of fertilisers and anticriptogamic sprays, and such key industrial products as steel, coal, fuel-oils, cement, glass, etc., which were still subject to price control when the compilation of the price index was resumed in May 1946, two indexes are compiled, one for the official and the other for the market price.

From these two indexes a single index is then calculated, using coefficients for weighting which take into account the approximate quantities exchanged on the controlled and on the free market.

Structural characteristics of the wholesale price index.

The structure of the index numbers and the commodities covered are specified in Table I, which sums up the main features of the wholesale price index.

It might be objected that the commodities that contribute to the formation of the elementary series from which, in the final analysis, the group indexes and subsequently the general index are obtained, are not very numerous. But here it need hardly be said that the significance and the content of an index number depend less on the number of the elementary series included in its construction than on the ratio in which the several commodities are represented in the general index number. It is certainly no easy matter to ascertain the extent to which an index satisfies this requirement, but it is evident that, though the number of

items considered be limited, raw materials, semi-manufactured goods and finished products are sufficiently and proportionately represented. Perhaps, in the group of finished products should have been more largely represented the multifarious varieties of goods produced by the engineering industry. But the attempts made by the Institute of Statistics to do this ran counter to an insuperable obstacle resulting from the special situation of these industries at the time when the construction of the index number was resumed. Indeed with the exception of a few firms, such as Fiat, Pirelli, Olivetti, which in the past assisted in the collection of data and, when the work was resumed, at once replied to the invitation to furnish the prices of their products, only 8 of the 80 new firms who were asked to collaborate, expressed their willingness to supply the prices of their manufactured goods. Nevertheless, the former list of items has been enlarged by introducing alarmclocks and watches, boilers, strong boxes and safes, oil engines, magnetic batteries, sparking plugs, and aluminium household-ware.

TABLE I

STRUCTURAL FEATURES OF THE WHOLESALE PRICE INDEX, 1938=100

Description	Number				
			Prices		
	Commodities	Quality or grade	General	Of which controlled	Market
I - *Raw Materials*	35	48	200	16	52
(a) Mineral	4	4	12	5	4
(b) Vegetable	19	23	104	11	40
(c) Animal	12	21	84	—	30
II - *Semi-manufactured Goods*	34	51	197	38	29
(a) Mineral	23	33	147	38	25
(b) Vegetable	8	15	42	—	15
(c) Animal	3	3	8	—	5
III - *Finished Products*	40	56	195	13	33
(a) Mineral	15	25	48	—	5
(b) Vegetable	12	14	79	13	23
(c) Animal	13	17	68	—	21
Total	109	155	592	67	60

The basis of the price index.

The basis used is 1938=100. The selection of 1938 as the year of reference was determined by the desire to anchor the index to a relatively normal situation.

This was essential if a comparison of index numbers at different periods was to be placed on a solid foundation and the year selected had to be pre-war: of the years immediately preceding the last war, 1938 seemed the best suited for this purpose. Moreover, the price index constructed on that basis lent itself to comparisons with those for the cost of living, wages and salaries, also compiled with 1938 as basis.

System of weighting.

The weighting system used in passing from the index for the several commodities to those for the group, and from the group to the general index, is based on the value of the quantities produced and imported in 1938. Practically the coefficientes of weighting have been obtained by multiplying the quantities produced and imported in 1938 by the average prices for that year. The percentage value of each commodity to the total value of the group, to which it belongs, has supplied the weights for each commodity (1).

Elimination of overlapping.

As regards the present index number as in that of the index constructed in pre-war years, the weighting coefficients used in calculating the general index have been so fixed as to eliminate the repetition of value arising from the fact that many products appear in the index at different stages of processing.

The elimination has been made on the principle of « horizontal proportionment », leaving unaltered the value of the commodities in the more advanced stages of processing and deducting from the value of the raw material the amount incorporated in the product derived.

The result of these calculations is a system of values which, expressed in percentages, has supplied the coefficients of weighting used in making the general index. These coefficients are given in Table II, along with those for the group indexes.

It should be expressly noted that the weighting coefficients in the first column of the table, used in making the group index numbers, are obtained from the *gross* value of the items composing the group, for, within each group, as a rule there is no problem of duplication.

Therefore the group index numbers acquire for their respective sets of commodities the same meaning as does the general index number for all the items considered as a whole. And while the weighting coefficients given for the several groups in the last column of the table represent the contribution made by each group to the formation of the general index number,

(1) As to the preference given to the system of the value of quantities produced and imported over other systems (for instance quantities exchanged or consumed), see Prof. BENEDETTO BARBERI's report « *Indice nazionale dei prezzi all'ingrosso* », published in the appendix to the *Bollettino dei Prezzi*, n. 11, November 1934. That report illustrates the reasons that have induced the Institute, when compiling the wholesale price index, to select the system of quantities produced and imported.

the weighting coefficients given in the first column, corresponding to the groups classified by the nature of the goods, show the contribution made by the several subgroups to the formation of the group index numbers.

TABLE II

WEIGHTING COEFFICIENTS OF THE GROUP INDEXES AND OF THE GENERAL INDEX NUMBER

Groups of commodities	Weighting coefficients	
	for group indexes	for general index
I - *Raw Materials*	100.0	24.0
(a) Mineral	7.7	2.8
(b) Vegetable	55.8	8.4
(c) Animal	36.5	12.8
II - *Semi-manufactured Goods*	100.0	22.7
(a) Mineral	58.0	17.3
(b) Vegetable	26.3	3.8
(c) Animal	15.7	1.6
III - *Finished Products* . . .	100.0	53.3
(a) Mainly mineral . .	7.0	3.7
(b) Mainly vegetable . .	68.3	36.4
(c) Mainly animal . . .	24.7	13.2
Total		100.0

Synthesis of the data.

The synthesis of the data for constructing the index number is obtained by a series of arithmetical operations based on the following mechanical sequence:

(*A*) construction of the simple index number for the several qualities of commodities considered, on each separate market. From these so-called *analytical* index numbers, the index for each type of commodity is obtained on the national scale, by calculating the simple aritmetical average;

(*B*) from the index numbers thus obtained relating to the several types of one commodity, the so-called *elementary* index numbers for the several commodities are obtained by means of arithmetical averages, either weigthed or simple, depending on whether or not it has been possible to secure data on output.

In the case of goods subject to price control, an elementary index number of prices fixed by the Interministerial Price Committee is compiled, in addition to the elementary price index for market prices. These two elementary index numbers are then compounded into a single index which takes into account, with some degree of approximate accuracy, the quantities handled on the regulated and on the free market.

(*C*) The elementary index numbers are used in making the group index numbers, and these in their turn for constructing the general index by means of weighted geometric averages.

Elaboration of the wholesale price index numbers classified by branches of economic activity.

Besides making index numbers for goods classified by stage of processing and by their nature, the Central Institute of Statistics is again constructing wholesale price indexes for goods classified by branches of economic activity.

As has been stated elsewhere (2) not only students but also business men — traders, producers and manufacturers — are interested in price movements. These people are more concerned with the price trend of commodities connected with their own branch of business activity than in the general price index. Therefore, with a view to providing a system of index numbers that can meet these practical requirements, the Central Institute now compiles, as it did before the war, wholesale price index numbers based on the interrelation of the commodities used in the various branches of economic activity.

The weighting coefficients are determined by the quantity of the commodities produced and imported in 1938.

The synthesis of the elementary index numbers for constructing the general index, referring to a given stage of processing, is obtained by means of the weighted geometric average. This same average is used in making the general index number for each branch of economic activity.

The duplication of values arising from the simultaneous presence in one branch of activity of products of the same raw material entering into subsequent stages of manufacture, has been avoided by recourse to the rule of « vertical proportionment » leaving unchanged the value of the commodities in the first stage and attributing to their successive transformations only the *plus-value* conferred on them by the industrial process.

The price trend during the period May 1946-December 1948.

Compared to the average 1938 price level, the price system during the period from May 1946 to December 1948 taken as a whole and for the three groups classified as raw materials, semi-manufactured goods and finished products, was as shown in Tables III and IV. It is easy to see that the index numbers are fairly representative of the general characteristics of price movements in Italy over the period covered by these compilations.

It is indeed well known that owing to changes in the economic and financial policies followed by the Government towards the middle of 1946 and to other contributing factors, such as currency expansion, higher exchange rates, the rise in prices of certain raw materials on world markets, the growing purchasing power of some occupational groups, the second half

(2) Prof. B. BARBERI: *Indice nazionale dei prezzi all'ingrosso*, published in an appendix to the *Bollettino dei prezzi*, No. 5, May 9, 1935.

of 1946 witnessed the beginning of an upward price movement that continued and was even more marked in the first half of 1947. Subsequently, the firm determination of the Government to defend the lira and to take steps to balance the budget, accompanied by adequate measures for controlling price levels and which continued throughout 1948, with the exception of a sudden rise that occurred in August of that year when the subsidy for wheat and other cereals was removed. In February 1949 prices again started on a slow downward trend which continued until the end of July 1949.

WHOLESALE PRICE INDEX — TABLE III

GENERAL INDEX AND GROUP INDEXES BY STAGE OF PROCESSING AND ORIGIN OF COMMODITIES

(1938 = 100)

Month	General index	By stage of processing			By stage of processing and origin								
		Raw materials	Semi-manufactured goods	Finished products	Raw materials			Semi-manufactured goods			Finished products		
					Mineral	Vegetable	Animal	Mineral	Vegetable	Animal	Mineral	Vegetable	Animal
1946 - May	2,582	2,599	2,250	2,811	1,974	2,309	3,304	1 683	3,336	3,401	1,989	2,522	4,133
June	2,593	2,472	2,271	2,849	1,' 80	2,054	3,439	1,688	3,385	3,482	1,981	2,562	4,237
July	2,675	2,469	2,346	2,954	2,002	1,933	3,754	1,712	3,544	3,761	1,977	2,645	4,491
August	2,791	2,609	2,461	3,056	2,013	1,994	4,152	1,759	3,759	4,194	1,973	2,721	4,768
September	3,011	2,780	2,679	3,307	2,028	2,149	4,404	1,924	4,071	4,520	2,026	2,943	5,245
October	3,176	2,973	2,804	3,456	2,069	2,256	4,894	2,039	4,213	4,604	2,414	3,012	5,595
November	3,376	3,146	3,084	3,614	2,139	2,371	5,257	2,271	4,602	4,882	2,527	3,134	5,931
December	3,677	3,420	3,462	3,882	2,236	2,586	5,737	2,577	5,268	5,096	2,579	3,427	6,153
1947 - January	3,754	3,576	3,546	3,917	2,701	2,694	5,852	2,610	5,677	5,002	2,844	3,459	6,051
February	3,891	3,710	3,666	4,043	2,777	2,825	5,985	2,804	5,596	4,858	2,867	3,591	6,184
March	4,139	3,878	4,018	4,238	2,866	2,895	6,464	3,168	5,806	5,220	3,039	3,722	6,669
April	4,533	4,643	4,153	4,618	3,922	3,587	7,138	8,223	6,055	5,629	3,120	4,115	7,102
May	5,203	5,237	4,871	5,274	4,247	4,164	7,771	3,985	6,592	6,162	3,388	4,775	7,873
June	5,329	5,264	5,011	5,376	4,652	4,034	8,116	4,161	6,870	5,868	3,820	4,895	7,676
July	5,779	5,868	5,108	5,946	5 199	4,757	8,297	4,388	6,667	5,734	3,847	5,547	8,150
August	5,889	6,069	5,278	5,974	4,799	4,886	8,881	4,553	6,703	6,105	3,960	5,527	8,322
September	6,202	6,337	5,495	6,340	4,896	5,137	9,224	4,805	6,894	6,168	4,496	5,821	8,847
October	6,010	5,955	5,337	6,218	4,842	4,904	8,373	4,763	6,492	5,855	4,650	5,689	8,635
November	5,647	5,491	5,259	5,759	4,748	4,532	7,591	4,770	6,329	5,532	4,674	5,276	7,787
December	5,526	5,276	5,297	5,585	4,624	4,399	7,162	4,988	6,071	5,264	4,872	5,176	7,164
1948 - January	5,373	5,158	5,159	5,401	4,655	4,311	6,934	4,924	5,886	4,910	4,862	5,030	6,774
February	5,352	5,156	5,173	5,360	4,632	4,283	7,001	4,872	6,116	4,879	4,860	5,005	6,665
March	5,318	5,183	5,280	5,327	4,619	4,330	6,991	5,085	6,076	4,794	4,847	4,976	6,607
April	5,240	5,176	5,263	5,259	4,609	4,427	6,738	5,046	6,102	4,798	4,812	4,938	6,421
May	5,184	5,006	5,265	5,232	4,611	4,325	6,369	5,024	6,180	4,786	4,741	4,902	6,446
June	5,142	4,809	5,332	5,219	4,607	4,039	6,337	5,171	6,116	4,744	4,753	4,870	6,488
July	5,139	4,802	5,397	5,189	4,857	3,921	6,531	5,312	6,085	4,681	4,836	4,824	6,478
August	5,704	5,666	5,358	5,876	5,064	5,138	6,738	5,252	6,058	4,672	4,835	5,753	6,583
September	5,769	5,750	5,353	5,964	5,083	5,162	6,961	5,259	5,988	4,761	4,833	5,818	6,776
October	5,724	5,750	5,368	5,870	5,091	5,134	7,014	5,260	5,958	4,860	4,793	5,835	6,632
November	5,667	5,780	5,286	5,786	5,111	5,180	7,016	5,094	5,969	4,946	4,794	5,617	6,626
December	5,697	5,881	5,284	5,799	5,132	5,278	7,141	5,012	6,078	5,084	4,787	5,652	6,572
1949 - January	5,698	5,851	5,235	5,837	5,145	5,318	6,959	4,909	6,117	5,112	4,777	5,726	6,514
February	5,656	5,762	5,156	5,833	5,179	5,306	6,685	4,718	6,162	5,312	4,775	5,709	6,553
March	5,557	5,683	5,098	5,706	5,219	5,273	6,489	4,647	6,183	5,194	4,755	5,542	6,512
April	5,393	5,546	5,073	5,466	5,209	5,182	6,234	4,651	6,173	5,035	4,746	5,249	6,363
May	5,283	5,438	5,006	5,335	5,157	5,154	5,968	4,559	6,136	5,029	4,741	5,128	6,155
June	5,215	5,447	4,949	5,230	5,113	5,218	5,896	4,501	6,070	4,991	4,654	5,002	6,115
July	5,037	5,246	4,864	5,021	5,002	5,061	5,591	4,425	5,994	4,861	4,598	4,790	5,863

the cost of living (credit restriction, the delivery of free exchange import licences for considerable quantities of foodstuffs, the freeing from price control of those products of which the supply required to meet normal consumption needs was now assured by production and importation) reacted favourably and in a short time on the home market. The price trend was reversed, followed by a period of relative stabilisation

The wholesale price index rose from 2582 in May 1946 to a maximum of 6202 in September 1947. It then fell to 5139 in July 1948, rose again to 5704 in August, was stabilised around this level until December 1948, after which it again fell to 5037 in July 1949.

The study of the group index numbers, of which the general index is the synthesis, allows us to make an important discrimination between the factors de-

termining the characteristic trends of the general index referred to above.

If we limit our remarks for the present to the period May 1946-December 1948, we note that the more marked variations that occurred during the ascending phase affected the price of semi-manufactured goods, for which the index rose from 2250 in May 1946 to 5495 in September 1947, being an increase of 144.2 %. Next in order came raw materials, with an increase in the said period of 143.8 %, and finished products for which the rise stood at 125.5 %.

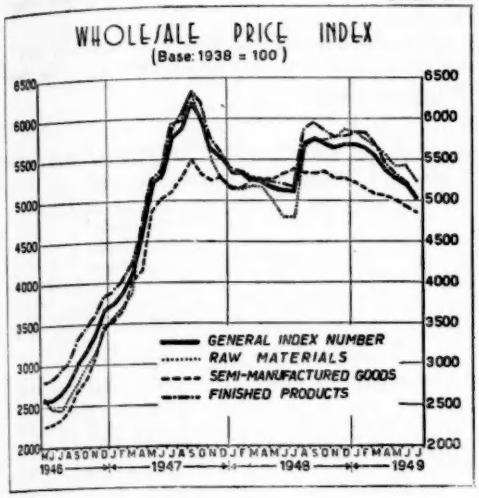
During the downward trend the more marked reduction occurred in the case of raw materials. Thus while the index of semi-manufactured goods fell over the period running from September 1947 to July 1948 by barely 1.8 %, and that of finished products by 18.2 %, we find a decline of 24.2 % in the case of raw materials.

Chart I clearly shows the influence of each group index on the general index number. While the prices of semi-manufactured goods, weighted at 22.7 %, have had a relatively restraining influence on the general index, both during the ascending and the descending phases, and have finally attained stability around 5 times the pre-war figure, the prices of finished products whose weight is preponderating (53.3 %) have steadily contributed, with their more or less marked variations, to the rise of the general index over the

WHOLESALE PRICE INDEX NUMBERS, BY BRANCHES OF ECONOMIC ACTIVITY (1938=100) — Table IV

Month	Textile Products & their raw materials	Hides & Footwear	Metal & Engineering products & their raw materials	Fuels & Lubricants	Chemical products & their raw materials	Products of the paper industry	Lumber	Bricks, etc.	Glass	Foodstuffs		
										In general	Vegetable origin	Animal origin
1946 - May	3,550	3,114	2,099	1,355	2,781	3,034	2,774	3,320	3,741	2,812	2,433	3,785
June	3,607	3,303	2,104	1,370	2,987	3,034	2,732	3,356	3,741	2,709	2,270	3,892
July	3,826	3,687	2,154	1,400	3,137	3,034	2,767	3,205	3,741	2,772	2,252	4,243
August	4,193	4,202	2,131	1,447	3,166	2,929	2,860	3,306	3,741	2,894	2,310	4,590
September	4,600	4,597	2,197	1,628	3,442	3,077	3,244	3,329	3,741	3,099	2,477	4,906
October	4,759	5,113	2,401	1,717	3,613	3,409	3,554	3.680	3,741	3,305	2,564	5,561
November	5,151	5,462	2,748	1,806	3,930	3,796	3,970	3,902	3,741	3,439	2,635	5,930
December	5,660	5,428	3,023	2,031	4,253	4 141	4.828	4,166	3.741	3,790	2,905	6,534
1947 - January	5,880	5,138	3,161	2,145	4,656	4,383	4,929	4,353	3,741	3,852	2,973	6,549
February	5,858	5,059	3,497	2,221	4,580	4,662	4,997	4,953	3,741	3,927	3,030	6,683
March	5,954	5,611	3,855	2,455	5,198	5,495	5,332	5,204	3,741	4,169	3,171	7,301
April	6,367	6,218	4,011	2,759	5,319	5,894	5,702	5,151	3,741	4,773	3,711	7,995
May	6,988	6,859	4,739	3,371	5,515	7,459	6,493	5,659	4,608	5,419	4,246	8,936
June	6,988	6,769	5,066	3 592	5,565	9,105	7,741	6,060	4,608	5,396	4,185	9,085
July	7,084	6,674	5,291	3,822	6,287	9,512	7,480	6,289	4,608	5,905	4,751	9,216
August	6,862	7,177	5,722	3,738	6,265	9,483	7,872	6,423	4,608	6,131	4,851	9,909
September	7,154	7,088	6,476	3,757	6,504	9 505	7,872	6,643	4,608	6,457	5,114	10,411
October	6,807	6,302	6,451	3,754	6,387	9,290	7,467	6,506	4,608	6,107	4,939	9.433
November	6,641	5,374	6,423	3,748	6,042	8,205	6,686	6,457	4,608	5,540	4,478	8,567
December	6,408	4,958	6,296	4,063	5,815	7,894	6,546	6,309	4,608	5,368	4,393	8,035
1948 - January	6,117	4,953	6,231	3,979	5,777	7,589	6,374	6,248	4,608	5,205	4,305	7,679
February	5,985	5,118	6,132	3,950	5,756	7,164	6,322	6,170	4,608	5,259	4,366	7,701
March	6,033	4,797	6,009	4,186	6,017	6,701	6,049	6,403	4,608	5,254	4,351	7,720
April	6,026	4,913	5,939	4,165	5,976	6,332	6,104	6,340	4,608	5,250	4,428	7,441
May	6,113	4,790	5,877	4,147	5,889	5,734	6,036	6,283	4,889	5,132	4,372	7,126
June	6,172	4,557	5,851	4,342	5,810	5,560	5,893	6,174	4,889	4,968	4,177	7,085
July	6,083	4,416	5,842	4,617	5,840	5,325	5,635	6,074	4,889	4,969	4,129	7,264
August	5,841	4,539	5.799	4,664	5,800	5,220	5,474	6,029	4,889	5,910	5,252	7,528
September	5,852	4,712	5,795	4,669	5,846	5,167	5,523	5,994	4,889	6,025	5,310	7,806
October	5,901	4,883	5,800	4,685	5,852	5,164	5,530	5.961	4,889	5,923	5,220	7,674
November	5,953	5,031	5,712	4,536	5,817	5,164	5,561	5,976	4.889	5,869	5,163	7,632
December	6,030	5,316	5,709	4,432	5,813	5,164	5,571	5,974	4.889	5,965	5,276	7,671
1949 - January	6,065	5,332	5,687	4,313	5,863	5,119	5,608	5,988	4,889	5,911	5,276	7,460
February	6,199	5,303	5,633	4,114	5,855	5,059	5,624	5,981	4,889	5,799	5,230	7,166
March	6,205	1,162	5,647	4,024	5,835	4,981	5,683	5,977	4,889	5,686	5,149	6,968
April	6,178	4,603	5,606	4,029	5,794	4,952	5,747	6,040	4,889	5,518	4,998	6,759
May	6,105	4,459	5,506	3,949	5,720	4,790	5,700	6,119	4,889	5,435	4,978	6,507
June	6,004	4,412	5,373	3,919	5,659	4.650	5,660	6,082	4,889	5.416	4,967	6,469
July	5,832	4,412	5.235	3,870	5,571	4,554	5,654	6,067	4,889	5,185	4,791	6,096

CHART Nº I



whole period under examination. The raw material curve differs from the other two as, owing to its greater variability, it has often interfered with the curve of the general index, passing first from a minimum position which it occupied in January 1947 to a maximum reached in September of that year, then again to a minimum in July 1948, followed by another maximum in December 1948.

Table V shows the percentage variations of the wholesale price index, classified by branches of economic activity, during the periods May 1946-September 1947, September 1947-July 1948, and July 1948-December 1948, which represent the three characteristic periods into which the full period May 1946-December 1948 can be divided.

TABLE V

PERCENTAGE CHANGES OF WHOLESALE PRICE INDEX, BY BRANCHES OF ECONOMIC ACTIVITY, MAY 1946 - DECEMBER 1948

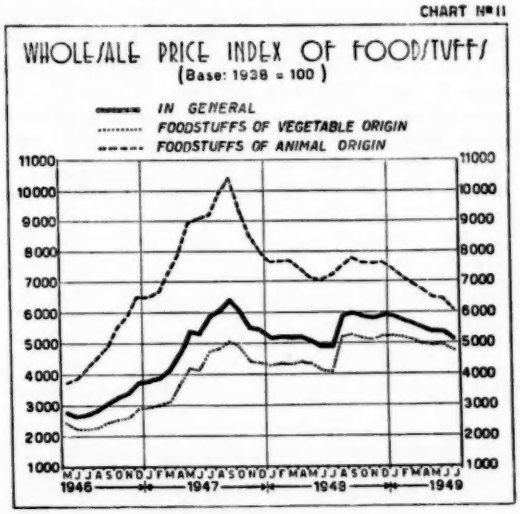
Commodity groups	Percentage variations of the index numbers		
	May 1946 September 1947	September 1947 July 1948	July 1948 December 1949
1. Textile products and their raw materials .	+ 101.5	— 15.0	— 0.9
2. Leather & footwear .	+ 127.6	— 37.7	+ 20.4
3. Metal and engineering products and raw materials	+ 208.5	— 9.8	— 2.3
4. Fuels and lubrificants	+ 177.3	+ 24.2	— 5.0
5. Chemical raw materials and products .	+ 133.9	— 20.2	— 0.5
6. Products of the paper industry	+ 213.3	— 44.0	— 3.0
7. Lumber	+ 183.8	— 28.4	— 1.1
8. Bricks, etc. . . .	+ 100.1	— 8.6	— 1.6
9. Glass	+ 23.2	+ 6.1	—
10. Foodstuffs	+ 129.6	— 23.0	+ 20.0
(a) vegetable origin .	+ 110.2	— 19.2	+ 27.8
(b) animal origin .	+ 175.2	— 30.2	+ 5.6

From May 1946 to September 1947 the percentage changes of the wholesale price index, classified according to the several branches of economic activity, changed from a minimum of 23.2 % for glass to a maximum of 213.3 % for the products of the paper mills.

During the downward trend, from September 1947 to July 1948, the most marked reduction was in the prices of the paper products (— 44 %); next came leather and footwear (— 37.7 %), lumber (— 28.4 %); foodstuffs (— 23 %), textile raw materials and products, metal and engineering raw materials and products, bricks etc. During the period under examination the only groups for which a rise is noted are those of glass and of fuels and lubrificants, which increased respectively by 6.1 % and 24.2 %. Lastly, it is interesting to note that in the interval from July to December 1948, almost all the price indexes of industrial products other than foodstuffs always show a slight decline. Indeed, with the exception of the price index for leather and footwear which rose by 20.4 %, all the other index numbers were either stationary or fell slightly over that period. The price trend for foodstuffs was quite different. From May 1946 to September 1947 the index number rose by 129.3 %, and, as already stated, it fell by 23 % from September 1947 to July 1948. But in the period from July to December 1948 it hastened to regain lost ground, rising again by nearly 20 %. This last increase is accounted for by the group of cereals, flour, and edible pastes the prices of which rose sharply in August 1948 on the abolition of price subsidies.

The wholesale price trend for foodstuffs can be clearly seen in Chart II, which shows, along with the curve representing the general trend, also the two component curves for foodstuffs classified by their origin (vegetable or animal).

CHART Nº II



The price curve for foodstuffs of animal origin, which is weighted at 32.8 % in making the general price index, is seen to be steadily above the curve for the whole, while that of vegetable foodstuffs, weighted at the preponderating figure of 67.2 %, is found to be steadily below it.

The chart clearly shows that the prices of foodstuffs, in spite of the jump in August 1948, were in December 1948 still below the maximum level reached in September 1947.

The wholesale commodity price trend during the period January-July 1949.

In January and February 1949 the wholesale price index remained at the level reached in December 1948 when it stood at 57 times the pre-war level. In March the downward trend set in bringing the level down first to 53 times (May 1949) and then in July 1949 to a minimum of roughly 50 times the pre-war level.

Unlike what happened in the last months of 1948 when the index rose somewhat, following on an improvement in the economic situation, since March 1949 the wholesale price index shows a progressive decline, which might be accounted for by a readjustment of prices on the domestic market due to a better balance between demand and supply for those products which had advanced most in price during the early post-war period or by the fact that commercial and industrial stocks have now been built up again. Nor should we neglect the influence exercised on the domestic price movement by the trend on world markets which, during the period under examination, has shown similar price adjustments, tending to iron out peaks and re-establish normal relations between the prices of the various commodities.

Whatever may be the cause, there has been an almost general downward price movement on the domestic market between January and July 1949.

Thus if the percentage variations of the wholesale price index are examined when classified by stage of processing, origin of commodities and branches of economic activity, as shown in Table VI, we find that in the period January-July 1949 the wholesale price index for finished products fell by 14 %, that for raw materials by 10.3 %, and that for semi-manufactured goods by 7.1 %. As far as raw materials are concerned, the reduction are particularly marked in the case of those of animal origin (19.7 %) and among finished products for commodities of vegetable origin (16.3 %).

Foodstuffs as a whole show a reduction of 12.3 % (9.2 for those of vegetable origin and 18.3% for those of animal origin).

TABLE VI

PERCENTAGE CHANGES OF THE WHOLESALE PRICE INDEX, JANUARY-JULY 1949

Classes of Indexes	Wholesale Price Index (1938=100)		% changes
	Jan. 1949	July 1949	
GENERAL INDEX	5,698	5,037	— 11.6
Raw Materials	5.851	5.246	— 10.3
(a) Mineral	5,145	5,002	— 2.8
(b) Vegetable	5,318	5,061	— 4.8
(c) Animal	6,959	5.591	— 19.7
Semi-manufactured Goods	5.235	4.864	— 7.1
(a) Mineral	4.909	4,425	— 9.9
(b) Vegetable	6,117	5.994	— 2.0
(c) Animal	5,112	4,861	— 4.9
Finished Products	5,837	5,021	— 14.0
(a) Mineral	4,777	4,598	— 3.7
(b) Vegetable	5,726	4,790	— 16.3
(c) Animal	6,514	5,863	— 10.0
Textile Products & Raw Materials	6,065	5,832	— 3.8
Hides and Footwear	5,332	4.412	— 17.3
Metal & Engineering Products & Raw Materials	5,687	5,235	— 7.9
Fuel and Lubrificants	4,313	3.870	— 10.3
Products of the Paper Industry	5,119	4,554	— 11.0
Lumber	5,608	5,654	+ 0.8
Bricks etc.	5,988	6,067	+ 1.3
Glass	4,889	4,889	—
Foodstuffs	5.911	5,185	— 12.3
(a) Vegetable	5,276	4,791	— 9.2
(b) Animal	7,460	6,096	— 18.3
Chemical Products & Raw Materials	5,863	5.571	— 5.0

As regards index numbers compiled for the several branches of economic activity, with the exception of lumber and building materials for which the index shows a slight rise corresponding to some recovery in the building trades, all the others have fallen, the reductions ranging from a minimum of 3.8 % for textile products to a maximum of 17.3 % for footwear.

STATISTICAL APPENDIX(*)

ITALIAN BUDGET SUMMARY - ASSESSMENTS AND OBLIGATIONS (a)
(in milliards of lire)

Table A

Financial year beginning 1st July	Current revenue and expenditure					Movement of capital			Total			
	Expenditure (b)	Revenue (b) domestic	Revenue (b) from Lira-Fund	Revenue (b) Total	Deficit	Expenditure (b)	Revenue (b)	Surplus (+) or deficit(—)	Expenditure (b)	Revenue (b)	Deficit	% of deficit to revenue
	1	2	3	4=2+3	5=1−4	6	7	8=6−7	9=1+6	10=4+7	11=9−10	12=11/10.100
1945-46												
Original estimates (c) . . .	114	30	—	30	— 84	4	5	+ 1	118	35	— 83	237.1
Changes during the financial year (c)	+ 395	+ 98	—	+ 98	— 297	+ 40	+ 87	+ 47	+ 435	+ 185	— 250	135.1
At the end of financial year	509	128	—	128	— 381	44	92	+ 48	553	220	— 333	151.3
1946-47												
Original estimates	341	148	—	148	— 193	10	4	— 6	351	152	— 199	130.9
Changes during the financial year (c)	+ 591	+ 204	—	+ 204	— 387	+ 293	+ 331	+ 38	+ 884	+ 535	— 249	65.2
At the end of financial year	932	352	—	352	— 580	303	335	+ 32	1.235	687	— 548	79.8
1947-48												
Original estimates	832	521	—	521	— 311	90	91	+ 1	922	612	— 310	50.1
Changes during the financial year (c)	+ 767	+ 235	+ 56	+ 291	— 476	+ 70	+ 4	— 66	+ 837	+ 295	— 542	183.7
At the end of financial year	1.599	756	56	812	— 787	160	95	— 65	1.759	907	852	93.9
1948-49												
Original estimates	1.252	801	70	871	— 381	82	20	— 62	1.334	891	— 443	49.7
Changes during the financial year (c)	+ 146	+ 116	—	+ 116	— 30	+ 14	+ 12	— 2	+ 160	+ 128	— 32	25.0
At the end of financial year	1.398	917	70	987	— 411	96	32	— 64	1 494	1.019	— 475	46.6
1949-50												
Original estimates	1.337	1.022	141	1.163	— 174	133	100	— 33	1.470	1.263	— 207	16 4

(a) For a general picture of the structure of the Italian Budget and the explanation of terms « assessments and obligations », « current revenue and expenditure » « recurrent and non recurrent revenue and expenditure », see G.E.M.: *Italys' State Budget, 1945-48*, in this Review, n. 8, January-March 1948, p. 48 et seq. (especially pp. 48-49); (b) Recurrent and non-recurrent; (c) Changes are due, for the most part, to new receipts and expenditure resolved upon during the year; in case of revenue, also to the difference between original estimates and actual receipts.

Source: *Conto riassuntivo del Tesoro*; Report to the Parliament by the Minister of Treasury, On. Pella, on April 8, 1949.

CURRENT REVENUE, BY MAJOR SOURCES (a)

Table B

Source	1938 - 39		1946 - 47		1947-48		1948 - 49		1949 - 50 (b)		Index numbers 1938-39=1
	millions of lire	% of total	millions of lire	% of total	millions of lire	% of total	millions of lire	% of total	millions of lire	% of total	
I - *Revenue from Taxation*											
Direct Taxes											
— recurrent . . .	5.528.8	20.6	66.152.4	18.9	97.346.2	11.7	127.276.8	12.5	156 100.0	15.0	28.2
— non recurrent (c) .	1.096.0	4.1	6.027.7	1.7	153.669.0	18.6	96 539.5	9.6	61 700.0	5.9	56.3
Indirect taxes on transactions (d)	6.086.0	22.7	142.423.1	40.5	260.954.9	31.6	357.276.1	35.2	352 123.0	33.8	57.8
Custom Duties and Consumption taxes . .	9 221.8	34.5	66.103.6	18.7	178.713.8	21.6	236 691.0	23.3	190 880.0	18.4	20.7
Consumption taxes on State monopolized products	3.579.9	13.4	65,336.9	18.5	115.588.9	13.9	178 281.2	17.6	183.035.0	17.5	51.1
Lotteries	543.5	2.3	4 231.8	1.2	7.611.1	0.9	12.651.5	1.2	11,608.0	1.1	21.3
II - *Other Revenue* (e)	644.3	2.4	1.740.7	0.5	13.917 8	1.7	6 554.0	0.6	86 600	8.3	13.4
Total	26,700.3	100	352.006.4	100	827.801.9	100	1.015 324.4	100	1 042 046.0	100	39.0
Index numbers, 1938-39=1	1		13.2		31.0		38.0		39.0		

(a) Revenue assessed in the period, on the basis of the provisional assessments at the end of each financial year; (b) Estimates; (c) Non-recurrent direct taxes jumped in 1947-48 to 18.6 % of total revenue, as a result of the extraordinary taxes on capital put into force by decree of March, 29, 1947; (d) Turnover tax (which accounts for about 60 % of the group), taxation of successions, stamp duty, etc.; (e) Net income from the national estate and from autonomous public corporations (railways, postal service, etc.).

Source: For 1938-39, *Annuario Statistico Italiano, 1941*; for 1946-47, 1947-48, 1948-49, *Conto Riassuntivo del Tesoro*; for 1949-50, Report to the Parliament of the Minister of Treasury (April 8, 1949) on Budget for the financial year 1949-50.

(*) See explanatory notes in No. 3, October 1947 (p. 197) and No. 8, January-March 1949 (p. 70).

ITALIAN BUDGET SUMMARY - CASH MOVEMENT (a)

(milliards of lire)

Table C

Financial Year	Receipts (b)			Revenue assessed but not collected (c)	% ratio 4 to 2	Payments (d)			Expenditure pledged but not incurred (c)	% 9 to 7	Deficit
	On year account	arrears	total			On year account	arrears	total			
	1	2	3 = 1 + 2	4	5	6	7	8 = 6 + 7	9	10	11 = 8 − 3
					(A) - *absolute figures*						
1945-46	230.5	3.8	234.3	(+ 10)	—	400.5	49.3	449.8	153	310.3	215.5
1946-47	658.3	9.5	667.8	29	305.2	715.9	157.6	873.5	519	329.3	205.7
1947-48	801.3	20.6	821.9	106	514.5	1.015.9	311.5	1.327.4	743	238.5	505.5
1948-49	979.6	40.6	1,020.2	39	96.0	1 034.5	405.7	1.440.2	450 (f)	110 9	420.0
					(B) - *index numbers: financial year 1945-46 = 100*						
1945-46	100	100	100	—	—	100	100	100	100	100	100
1946-47	285.5	250.0	285.0	100 (e)	100 (e)	178.7	319.6	194.1	339.2	106.1	95.4
1947-48	347.6	543.1	350.7	365.5	168.5	253.6	631.8	295.1	485.6	76.8	234.6
1948-49	424.9	1,068.4	435.4	150.5	31.4	258.3	822.5	320.1	294.1 (f)	35.7	194.2

(a) While Table A shows assessed revenue and pledged expenditure (the so-called *bilancio di competenza*), this table indicates receipts actually collected and payments actually incurred (the so-called *bilancio di cassa*).

(b) Current revenue (recurrent and non-recurrent) and movements of capital.

(c) Assessed revenue and pledged expenditure are indicated in Table A of this Statistical Appendix, columns 9 and 10.

(d) Current expenditure (recurrent and non-recurrent) and movements of capital.

(e) In financial year 1945-46, actual receipts have exceeded assessed revenue by about 10 milliard lire. Therefore the index numbers of columns 4 and 5 have been calculated on the basis: 1946-47 = 100.

(f) The precise present amount of all passive arrears has not yet been ascertained. It will only be possible to draw up a full statement of these arrears when the final accounts of the several Ministries will be compiled (the last statement dates back to financial year 1941-42). These accounts must be presented to Parliament for approval not later than June 30, 1950. The Minister of Treasury, in his statement to the Parliament of April 8, 1949, made it known that at the end of February 1949 the net amount of passive arrears was estimated around 813 milliard lire.

Source: *Conto riassuntivo del Tesoro.*

ITALIAN INTERNAL NATIONAL DEBT

(in milliards of lire - Index Numbers, 1938 = 100)

Table D

End of period	Consolidated and others		Redeemable debt		Floating debt					Treasury Notes	Total of internal national debt	
					Treasury bills	Interest bearing current accounts	Advances by the Bank of Italy	Total				
	Amount	I.N.	Amount	I.N.				Amount	I.N.		Amount	I.N.
1938 June	53	100	49	100	9	20	1	30	100	1.5	133.5	100
1945 »	53	100	206	420	157	93	331	581	1,936	7.3	847.3	635
1946 »	53	100	278	567	239	146	343	728	2,426	7.3	1,066.3	799
1947 »	53	100	429	875	279	175	366	820	2,733	6.6	1,308.6	980
1948 »	53	100	419	856	481	295	473	1,249	4,163	7.1	1,728.1	1,294
1949 January	53	100	417	851	663	343	470	1,476	4,920	8.0	1,956.0	1,465
March	53	100	392	800	720	371	470	1,561	5,203	8.3	2,014.3	1,509
June	53	100	392	800	744	479	470	1,693	5,643	8.4	2,146.4	1,608
July	53	100	392	800	751	463	470	1,684	5,613	8.4	2,137.4	1,601
August	53	100	392	800	746	457	470	1,673	5,576	8.5	2,126.5	1,592

Source: *Bollettino Mensile* of the Central Institute of Statistics.

PRINCIPAL ASSETS AND LIABILITIES OF THE BANK OF ITALY

Table E

Item	December 31, 1938		December 31, 1947		December 31, 1948		1949					
							June 30		July 31		August 31	
	milliards of lire	%	milliards of lire	%	milliards of lire	%	milliards of lire	%	milliards of lire	%	milliards of lire	%
Assets												
Gold	3.8	16.8	0.5	0.1	1.3	0.1	1.8	0.1	1,7	0.1	1.9	0.1
Foreign Exchange deposited abroad	—	—	12.8	1.2	17.2	1.3	17.8	1.2	19,5	1.3	15.1	0.9
Cash	0.5	2.0	1.3	10.1	1.5	0.1	2.3	0.1	2,5	0.1	2.1	0.1
Bank loans to the Government (a)	5.5	24.3	720.6	74.7	876.6	66.7	875.1	61.7	886.0	60.0	876.4	57.5
Sundry debtors (b)	—	—	49.2	5.1	213.8	16.3	319.9	22.5	366,5	24.8	411.6	27.0
Credits to business (c)	12.9	56.4	171.5	17.7	180.7	13.7	191.3	13.5	187.1	12.7	203.9	13.4
Other assets	0.1	0.3	9.9	1.0	22.9	1.7	8.6	0.6	10.7	0.7	11.6	0.7
Total	22.8	100.0	965.1	100.0	1,314.0	100.0	1,417.8	100.0	1,475.0	100.0	1,522.6	100.0
Liabilities												
Note circulation	18.9	83.1	788.1	81.7	963.0	73.3	896.5	63.2	936.2	63.5	942.5	61.9
Sight drafts	0.9	3.9	16.2	1.7	17.9	.4	15.3	1.0	15.6	1.0	16.5	1.0
Demand Deposits	0.8	3.6	52.5	5.4	68.0	5.2	111.4	7.8	117.1	7.9	111.8	7.3
Tied Deposits	0.3	1.5	86.5	9.0	164.0	12.5	213.7	15.0	225.8	15.3	243.5	15.9
Counterpart Lira-Fund	—	—	—	—	58.1	4.4	137.4	9.7	136.2	9.2	163.2	10.7
Other liabilities	1.8	7.9	22.5	2.3	42.9	3.3	43.5	2.9	44.1	2.9	45.1	2.9
Total	22.8	100.0	965.1	100.0	1,314.0	100.0	1,417.8	100.0	1,475.0	100.0	1,522.6	100.0

(a) Includes: Government securities, advances to the Treasury, advances on Allied Forces account, current account with the Treasury, sundry credits on Government account, gold deposited abroad due by the State; (b) Mainly, advances to the Italian Exchange Office for export financing; (c) Includes: inland bills, bills for collection, advances.

Source: *Bollettino* of the Bank of Italy.

BANK CREDITS IN ITALY, BY BUSINESS BRANCHES (a)

Table F

Business Branches	December 31, 1938		December 31, 1946		December 31, 1947		December 31, 1948		
	millions of lire	% of total	millions of lire	% of total	millions of lire	% of total	millions of lire	% of total	I.N. (31.XII. '38=1)
1. Personal (professional, consumer, etc.)	4,139	11.81	33,794	8. 5 2	54,599	7.44	69,637	6.60	16.8
2. Public Institutions (Institutions for specialised ec. activities excluded)	5,163	14.74	22,976	5.79	36,303	4.96	45,975	4.35	8.9
3. Banks, exchanges, fin. and ins. Cos.	3,398	9.70	23,850	5.89	39,969	5.44	57,525	5.45	16.9
4. Transport and communications	547	1.55	10,255	2.58	21,870	2.98	25,399	2.40	46.4
5. Electric power, gas, water	319	0.91	6,260	1.57	11,470	1.56	8,837	0.83	27,7
6. Hotels, entertainments	286	0.81	2,780	0.70	4,923	0.67	8,622	0.81	30.1
7. Building and real estate, public works, land-reclamation	4,211	12,02	28,217	7.11	50,274	6.85	65,159	6.17	15.4
8. Agriculture and agricultural equipment and supply trades	2,942	8.39	25,748	6.49	54,666	7.45	88,746	8 41	30.1
Industry and wholesale trade in:									
9. Cereals, foodstuffs, drink	4,315	12.40	97,901	24.79	174,893	23.90	271,804	25.85	62.9
10. Wood and related products	510	1.45	8,828	2.22	16 484	2.24	22,690	2.15	44.4
11. Non-metallic mineral ores	909	2.59	8,713	2.19	22,678	3.09	42,861	4.06	47.1
12. Steel, metal and engineering products	3,184	9.09	40,754	12.55	75 865	10.34	106,455	10.09	33.4
13. Chemical products	588	1.67	13,482	3.40	30,673	4.18	35,090	3.32	59.6
14. Paper and printing	351	1.00	4,788	1.20	9,390	1.27	12,961	1.22	36.9
15. Hides and skins	576	1.64	11,017	2.77	14,637	1.99	26,495	2.51	45.9
16. Textile products and clothing	2,238	6.38	36,168	9.12	74,140	10.10	107,676	10.20	48.1
17. Other trades and industries	172	0.49	3,542	0.89	7,764	1.05	13,132	1.24	76.3
18. Retail trade and miscellaneous services	1,179	3.36	17,821	4.49	32,956	4.49	45,940	4.35	38.9
Total	35,027	100.—	396,394	100,—	733,444	100.—	1,055,004	100. —	30.1
Index numbers: 1938=1	1		11.3		20 9		30.1		

(a) The data refer to 365 banks (commercial and savings banks) which hold about 99 % of the total deposits collected by all Italian banks.

Source: *Bollettino* of the Bank of Italy, No. 7-8, July-August 1949.

COMPOSITION OF ASSETS OF ITALIAN BANKS, SEPTEMBER 30, 1947 - JUNE 30, 1949 (a)
(millions of lire)

Table G

Item	Old Series (b)						New Series (b)		
	30/9/47	31/12/47	31/3/48	30/6/48	30/9/48	31/12/48	31/12/48	31/3/49	30/6/49
Amounts outstanding									
Cash and sums available at sight	154,838	202,202	189,897	207,513	201,293	231,622	169,048	157,046	151,813
Fixed deposits with Treasury and other Institutions	57,859	75 897	95,650	129,197	165,469	138,260	177,748	207,785	231,277
Government securities (c)	234,000	250,400	305,700	353,400	408,300	414,200	414,200	439,215	446,226
Credit to clients (d)	—	783,300	808,500	848,000	978,500	1,132,200	1,120,700	1,179 011	1,234,778
Index numbers									
Cash and sums available at sight	76.6	100	93.9	102.6	99.5	114.5	100	92.9	89.8
Fixed deposits with Treasury and other Institutions	76.6	100	126	170	218	171	100	116.9	130.1
Government securities (c)	93.4	100	122	141	163	165	100	106.0	107.7
Credit to clients (d)	—	100	103	108	124	144	100	105.2	110.3
% of deposits and c/a									
Cash and sums available at sight	16.3	19.9	16.8	16.4	14.3	15.2	11.1	9.7	9.1
Fixed deposits with Treasury and other Institutions	6.1	7.5	8.5	10.2	11.8	9.1	11.7	12.8	13.8
Government securities (c)	24.8	24.3	27.1	28.0	29.1	27.2	27.2	27.2	26.7
Credit to clients (d)	—	77.3	71.6	67.2	69.6	74.5	73.7	72.8	73.8

(a) The data refer to 365 banks (commercial and savings banks) which hold about 99 % of the total deposits collected by all Italian banks.

(b) The Bank of Italy has revised the quarterly series on banking assets, beginning from December 1948. For that month both old and revised series are presented in the Table.

(c) Treasury bills and other Government securities.

(d) Includes: bills on hand (portafoglio), contangoes (riporti), advances (anticipazioni), current accounts (conti correnti), loans recoverable on salaries (prestiti su pegno e contro cessione stipendio), loans (mutui), current accounts with sections for special credits (conti correnti con le sezioni speciali), credits abroad (impieghi all'estero), non-Government securities (titoli non di Stato). The data on credits to clients here given differ from those in table F, because of the different method of making the returns. Table F is based on the annual returns for the several branches of economic activity, whereas the data in this table and based on the quarterly statements of the banks.

Source: *Bollettino* of the Bank of Italy.

DEPOSITS AND CURRENT ACCOUNTS OF ITALIAN BANKS (a)
(millions of lire)

Table H

End of the period	Time and Demand Deposits			Current Accounts (b)			Total		
	Amounts outstanding	Quarterly changes	Index number	Amounts outstanding	Quarterly changes	Index number	Amounts outstanding	Quarterly changes	Index number
1947 - December	528,516	—	100	485,373	—	100	1,013,889	—	100
1948 - March	601,800	+ 73,284	113.7	527,708	+ 42,335	108.8	1,129,508	+ 115,619	111
June	651,375	+ 49,575	123.0	609,763	+ 82,055	125.7	1,261,138	+ 131,630	124
September	740,492	+ 89,117	140.1	664,620	+ 54,857	136.9	1,405,112	+ 143,974	138
December	805,497	+ 65,005	152.4	714,781	+ 50,161	147.4	1,520,278	+ 115,166	149
1949 - March	845,176	+ 39,679	160.0	774,422	+ 59,641	159.5	1,619,598	+ 99,320	159
June	860,859	+ 15,683	162.8	811,444	+ 37,022	167.2	1,672,303	+ 52,705	164
July (c)	899,277	+ 38,418	170.2	824,854	+ 6,609	168 6	1,724,131	+ 51,828	170
August (c)	931,997	+ 32,720	176	835,395	+ 10,541	172	1,767,392	+ 43,261	174

(a) The data refer to 365 banks (commercial and savings banks) which hold about 99 % of the total deposits collected by all Italian banks.

(b) Interbank current accounts are excluded.

(c) Monthly changes. The higher increase in deposits during July and August is due, very likely, to seasonal factors.

Source: *Bollettino* of the Bank of Italy.

MEDIUM AND LONG TERM INDUSTRIAL CREDIT, BY SOURCE OF LOANS **Table I**

(milliards of lire)

Institutes	December 31, 1938		December 31, 1947		December 31, 1948		
	millions of lire	% of total	millions of lire	% of total	millions of lire	% of total	Index numbers 1938 = 1
Istituto Mobiliare italiano (Institute for medium and long term industrial credit) . .	871	8.78	19,104	19.90	34,973	18.76	40.2
Consorzio per sovvenzioni su valori industriali (Consortium for loans on industrial values)	1,729	17.45	21,544	22.45	20,430	10.96	11.8
Consorzio di credito per le opere pubbliche (Credit Consortium for public works) . .	6,148	62.00	12,236	12.73	15,210	8.14	2.5
Istituto di credito per le imprese di pubblica utilità (Public Utility Credit Institute) . .	1,086	10.95	9,639	10.03	22,882	12.25	21.1
Banca di credito finanziario (Mediobanca) (Bank for Financial Credit)	—	—	2,841	2.95	6,054	3.24	—
Special Sections of the Banca Nazionale del Lavoro:							
— Section for hotel and tourist credit . .	—	—	212	0.22	472	0,25	—
— Section for credit to minor industries .	—	—	—	—	1,951	1.04	—
— Section for co-operative credit	—	—	—	—	717	0.38	—
— Section for cinema credit	42	0.42	594	0.61	750	0.40	17.9
Banco di Napoli:							
— Section for industrial credit	—	—	2,539	2.64	3,556	1.90	—
Istituto per lo sviluppo economico del Mezzogiorno (Institute for the economic development of Southern Italy)	—	—	289	0.30	314	0.16	—
Banco di Sicilia:							
— Section for industrial credit	—	—	813	0.84	2,150	1.15	—
— Section for mineral credit	40	0.40	1,744	1.81	3,051	1.63	76.3
Cassa per il credito all'artigianato (Institute for credit to handicraft)	—	—	—	—	121	0.06	—
Total	9,916	100.0	71,555	74.47	112,631	60.32	11.4
Fondo Industrie Meccaniche (Engineering Industry Fund (a)	—	—	13,414	13,97	33,457	17.92	—
U.S. Export-Import Bank	—	—	—	—	28,217	15.12	—
Italian Government Loans (b)	—	—	11,109	11.56	12,404	6.64	—
Grand Total	9,916	100.0	96,078	100.0	186,709	100.0	18.8
Index numbers, 1938=1	1		9.7		18.8		

(a) See, *Premises and Tasks of the Special Fund for financing the Italian engineering Industry*, by R. Tremelloni, in No. 3 (October 1947) of this Review, p. 169 et seq.

(b) Under Act No. 449 of May 8, 1946. See, *Premises and Tasks*, etc., *loco cit.*, p. 176.

Source: Report of the Bank of Italy for 1948.

MEDIUM AND LONG-TERM REAL ESTATE CREDIT, BY MAIN CATEGORIES **Table L**

Categories	December 31, 1938		December 31, 1947		December 31, 1948		
	millions of lire	%	millions of lire	%	millions of lire	%	Index numbers 1938 = 1
Land improvement credit	1,572	21.08	5,001	34.22	9,480	39.09	6.0
Land mortgage credit	5,708	76.54	9,431	64.55	14,349	59.17	2.5
House mortgage credit	178	2.38	180	1.23	423	1.74	2.4
Total	7,458	100	14,612	100	24,252	100	3.2
Index number, 1938=1	1		2		3.2		

Source: Report of the Bank of Italy for 1948.

NOTE CIRCULATION, PRICES, WAGES AND SHARE QUOTATIONS IN ITALY

Table M

(Index, 1938 = 100)

Year or month	Note Circulation (a)		Wholesale prices (c)		Cost of Living (c)	Wage Rates in industry (c)	Share quotations (b)	Fine gold	
	Amount (b) (milliards of lire)	Index	All commodities	Foodstuffs				Price of one gram (lire) (d)	Index
1945 December . .	389.8	1,732	. .	. .	2,764	. .	517	823	3,165
1947 December . .	795.0	3,537	5,526	6,196	4,929	5,105	1,206	827	3,180
1948 March . . .	804.8	3,577	5,318	6,206	4,919	5,133	1,272	982	3,777
» June	823.0	3,674	5,142	6,111	4,835	5,135	1,091	848	3,261
» September . .	869.7	3,865	5,767	6,162	4,910	5,417	1,333	936	3,600
» December . .	970.9	4,316	5,696	5,969	4.917	5,415	1,378	995	9,827
1949 March . . .	900.2	4,000	5,557	5,686	4,980	5.424	1,809.5	1,055	4,057
» June	905.4	4,024	5,219	5,416	4,990	5.426	1,347.2	1,035	3,981
» July	944.2	4,196	5,034	5,179	4,851	5,426	1,498.1	1,020	3,923
» August . . .	951.7	4,229	4,887	4 987	4,910	5,453	1,509.7	1,014	3,900
» September . .	963.8	4,283	4,912	5,040	4,886	5,455	1,598.5	1,095	4,211

(a) End of year or month. Includes: Bank of Italy notes, Treasury notes, and A-M-lire; (b) *Bollettino* of the Bank of Italy; (c) *Bollettino Mensile* and *Bollettino dei Prezzi* issued by the Central Institute of Statistics; (d) Business Statistics Centre of Florence.

PRICES AND YIELDS OF ITALIAN SECURITIES BY MAIN CATEGORIES

Table N

Year or month	Government Securities								Share Securities (quoted on the Milan Stock Exchange)	
	Bonds				Treasury Bills		Average			
	Consolidated		Reedemable							
	Price (index number '38 = 100)	Yield (per cent per annum)	Price (index number '38 = 100)	Yield (per cent per annum)	Price (index number '38 = 100)	Yield (per cent per annum)	Price (index number '38 = 100)	Yield (per cent per annum)	Price (index number '38 = 100)	Yield (per cent per annum)
1938	100.0	5.40	100.0	5.37	100.0	5.07	100	5.33	100	5.17
1946	105.3	5.13	112.3	4.78	91.3	5.55	98.2	5.43	781.7	0.54
1947	94.4	5.72	96.1	5.59	73.7	6.88	86.5	6.16	2,235.8	0.48
1948 March	95.4	5.66	75.2	7 14	85.2	5.99	81.5	6.55	1,337.0	1.53
» June	101.1	5.34	87.0	6.17	95.7	5.30	92.5	5.76	1,130.4	3.13
» Sept.	102.1	5.29	86.3	6.22	97.3	5.21	92.7	5.75	1,432.8	2.24
» December	102.7	5.56	87.9	6.11	95.7	5.62	92.7	5.84	1,468.2	2.72
1949 March	104.7	5.16	89.8	5.98	99.0	5.12	95.2	5.60	1,809.5	2.56
» June	105.7	5.11	93.4	5.75	100.4	5.05	97.8	5.45	1,347.2	4.77
» July	107.6	5.02	95.6	5.62	100.2	5.06	99.4	5.36	1,498.1	4.59
» August	107.6	5.02	95.2	5.64	101.0	5.02	99.4	5.36	1,509.7	4.62

Source: *Bollettino Mensile* of the Central Institute of Statistics.

WHOLESALE PRICES BY GROUPS OF COMMODITIES

Table O

(Index, 1938 = 100)

Year or month	All Commodities	Foodstuffs		Textiles	Hides, Skins and Footwear	Raw materials, metal and engineering products	Fuels and lubricants	Chemical raw materials and products	Paper goods	Lumber	Bricks, Lime and Cement	Glass
		Vegetable	Animal									
1947 June	5,329	4,185	9,085	6,988	6,796	5,066	3.592	5 565	9 105	7.741	6 060	4,608
» December	5,526	4,393	8,035	6,404	4,953	6,296	4.063	5 815	7 894	6 546	6 309	4.608
1948 March	5,318	4,354	7,720	6,033	4,797	6,009	4 146	6 017	6.751	6.049	6 403	4.608
» June	5,142	4,177	7,085	6,172	4,557	5,851	4 342	5 810	5.560	5 893	6 174	4 889
» September	5,767	5,303	7,790	5,883	4,723	5 795	4.669	5 846	5.167	5.523	5.994	4 889
» December	5,696	5,278	7,678	5,996	5,316	5.712	4.432	5 814	5.164	5 571	5 988	4 889
1949 March	5,557	5,149	6,968	6,205	5,162	5.647	4.024	5 835	4 981	5 683	5.977	4 889
» June	5,215	4,967	6,469	6,004	4,412	5.373	3 919	5.659	4 650	5 660	6 082	4 889
» July	5,034	4,783	6,096	5,832	4,412	5,235	3,860	5 574	4.554	5,654	6,067	4.889
» August	4,889	4,502	6,182	5,769	4,388	5,235	3,767	5.488	4.554	5,654	6.112	4,889
» September	4.912	4.548	6,159	5,773	4,442	5,258	3,771	5.414	4.519	5,654	6.135	4,889

Source: *Bollettino dei Prezzi* of the Central Institute of Statistics.

WAGES AND SALARIES IN ITALY

(Inclusive of family allowances)

(Index, 1938 = 100)

Table P

Categories	1948				1949				
	March	June	Sept.	Dec.	January	March	June (c)	July	Aug.
Industry:									
Specialised workers	4,917	4,272	4,499	4,497	4,497	4,499	4,501	4,501	4 562
Skilled workers	4,281	4,922	5,195	5,187	5,187	5,193	5,194	1.195	5,230
Ordinary workers and semi-skilled labourers	5,337	5,331	5,619	5,618	5,618	5 628	5,630	5,631	5,648
Labourers	5,790	5,802	6,129	6,134	6,134	6,153	6,152	6,152	6,156
General index of Industry	*5,133*	*5,135*	*5,416*	*5,415*	*5,415*	*5,424*	*5,426*	*5,426*	*5,453*
Land Transport	*5,003*	*5,003*	*5,303*	*5,299*	*5,299*	*5,305*	*5,305*	*5,305*	*5,305*
Government Civil Employees:									
Groups A and B (a)	2,487	2,487	2,839	2,839	3,137	3,137	3.122	3,122	3,122
Group C (b)	3,550	3,550	4,054	4,054	4,336	4.336	4,316	4,316	4,416
Subordinate staff	4,028	4,028	4,906	4,906	5,165	5,165	5,143	5,143	5,143
General Index of Government Civil Employees	*3,114*	*3,114*	*3,601*	*3,601*	*3,887*	*3,887*	*3,870*	*3,870*	*3,870*

(a) Administrative and executive grade.

(b) Clerical grade.

(c) The net remunerations have been reduced since April 1, 1949 as a consequence of the special deduction made for financing the « Fanfani Plan » for housing reconstruction (Act No. 43 of 28-2-1949).

Source: *Bollettino dei Prezzi* of the Central Institute of Statistics.

NATIONAL INDEX OF LIVING COST

(1938 = 100)

Table Q

Year or month	All Items	Foodstuffs	Clothing	Heating and lighting	Housing	Miscellaneous
1947 December	4,929	6,196	6,866	2,393	269	4,359
1948 March	4,919	6,206	6,216	2,404	343	4,387
» June	4,835	6,111	5,993	2,354	363	4,317
» September	4,910	6,162	5,750	2,087	377	4,318
» December	4,917	6,149	5,810	3,069	399	4,387
1949 March	4,980	6,194	5,984	3,058	520	4,500
» June	4,990	6,192	6,019	3,185	532	4,489
» July	4,851	6,946	6,018	3,407	532	4,473
» August	4,910	6,039	5,991	3,417	562	4,443
» September	4,886	6,004	5,943	3,436	562	4,435

Source: *Bollettino dei Prezzi* of the Central Institute of Statistics.

UNEMPLOYMENT IN ITALY

Table R

End of period	Employed persons and pensioners seeking other jobs	Housewives seeking first job	Young people under 21 or ex-servicemen seeking first job	Unemployed formerly employed	Total	
						of which women
1948 October	17,781	193,810	306,171	1,175,425	1,752,187	609,205
» November	82,501	210,305	344,474	1,293,156	1,930,436	656,841
» December	87,386	211,671	363,785	1,498,429	2,161,271	679,502
1949 January	91,036	207,336	380,911	1,547,007	2,226,290	678,271
» March	92,073	205,261	395,821	1,440.338	2,133.493	656,596
» June	83.637	180,406	353,287	1,198,438	1,815,768	600,483
» July	81,118	175,656	349,990	1,180,557	1,787,321	591,575
» August	81,492	166,642	347,545	1,164,833	1,760,512	580,323

Source: Ministry of Labour.

ITALIAN INDUSTRIAL PRODUCTION INDEX (a)

(monthy average 1938=100)

Table 5

Year or month	General Index	Mining	Manufactures									Electric Power
			Total	Textiles	Lumber	Paper	Rubber	Chemicals	Petroleum and coal products	Non metallic ores	Metallurgy	
1947 - Average	*93*	*95*	*85*	*92*	*67*	*70*	*91*	*85*	*82*	*90*	*75*	*134*
January	71	75	64	78	56	53	64	56	37	73	50	105
March	83	94	76	88	65	66	87	70	50	75	65	119
June	103	99	93	98	77	74	96	100	94	93	86	154
September	100	108	93	104	74	78	107	93	104	83	77	135
December	91	88	82	82	52	62	100	90	122	100	73	137
1948 - Average	*98*	*88*	*89*	*91*	*54*	*74*	*102*	*93*	*124*	*94*	*86*	*149*
March	94	91	86	86	58	74	95	88	118	89	89	137
June	100	90	90	86	60	71	87	94	127	93	104	158
September	100	99	100	98	56	88	115	107	153	100	104	160
December	102	88	94	94	50	90	117	99	154	98	93	150
1949 - Average												
March	97	..	94	99	58	95	106	93	166	99	82	118
April	96	97	93	101	60	90	83	88	162	109	78	107
May	112	106	106	108	66	108	120	99	166	122	107	148
June	114	105	106	102	62	103	116	118	160	120	104	159
July	113	114	106	103	65	89	130	119	161	110	103	151
August	95	107	87	80	46	74	93	104	168	112	78	134

(a) We give in this Table the Italian industrial production index with base 1938=100 as calculated by the Central Institute of Statistics and published for the first time in the April 1949 issue of the Monthly Bulletin of Statistics. These data are to be considered as merely indicative; see also the article of P. BATTARA in issue No. 9 of this Review, p. 118 et seq.

Source: *Bollettino Mensile di Statistica*.

ITALY'S FOREIGN TRADE, BY PRINCIPAL COUNTRIES: 1948 AND 1949 (a)

(milliards of lire)

Table 7

Country	Total of trade		Imports		Exports		Balance between imports and exports		Percentage ratio of Italian trade with each single country to the whole Italian foreign trade		
	1949	1948	1949	1948	1949	1948	1949	1948	1949	1948	1938
	1	2	3	4	5	6	7 = (5−3)	8 = (6−4)	9	10	11
United States	254,8	251,6	238,5	220,3	16,3	31,3	− 227,2	− 189	24,32	22,90	11,25
Argentina	90,4	130,0	32,8	93,3	57,6	36,6	24,8	− 56,7	8.65	11,81	3,82
United Kingdom	66,7	39,3	23,3	15.6	43,4	23,7	20,1	8,1	6,44	3,54	6,57
Germany	55,0	21,1	22,5	9,9	32,5	11,2	10,0	1,3	5,28	1,90	27,03
India and Pakistan	45,4	28,8	11,2	11,8	34,2	17,0	23,0	5,2	4,32	2,63	2,20
Australia	42,2	18,4	36,7	15,7	5,5	2,7	− 31,2	− 13,0	4,03	1,63	1,72
Switzerland	39,9	47,0	16,8	15,9	23,1	31,0	6,3	15,1	3,84	4,27	4,33
Egypt	36,4	27,8	14,7	10,2	21,7	17,6	7,0	7,4	3,46	2,54	1,97
France	28,5	22,0	13,8	4,8	14,7	17,2	0,9	12,4	2,69	2,00	2,80
Belgium-Luxemburg	27,1	29,0	16,5	6,7	10,6	12,3	− 5,9	5,6	2,59	1,72	1,58
Austria	24,2	14,0	13,0	8,1	11,2	5,9	− 1,8	− 2,2	2,30	1,28	(b)
Poland	21,8	9,2	16,6	5,0	5,2	4,2	− 11,4	− 0,8	2,11	0,81	2,05
Yougoslavia	16,3	15,6	6,7	7,9	7,6	7,7	− 2,9	− 0,2	1,15	1,45	1,93
Other countries	291,3	246,4	155,6	138,8	137,7	117,8	− 17,9	− 21,0	28,82	41,52	32,75
Total	1040,0	901,2	618,7	564,0	421,3	336,2	− 197,4	− 227,9	100	100	100

(a) First 8 months.

(b) Included in Germany.

Source: *Statistica del Commercio con l'Estero* of the Central Institute of Statistics.

ITALY'S FOREIGN TRADE, BY GROUPS OF COUNTRIES: 1938, 1948 AND 1949 **Table U**

Groups of countries	Imports						Exports					
	1938 (a)		1948 (a)		1949 (a)		1938 (a)		1948 (a)		1949 (a)	
	millions of lire	% (b)	millions of lire	% (b)	millions of lire	% (b)	millions of lire	% (b)	millions of lire	% (b)	millions of lire	% (b)
Sterling area (c)	*1,298.3*	*16.95*	*72,844.9*	*12.91*	*110,119.1*	*17.80*	*1,015.8*	*19.19*	*80,530.8*	*23.95*	*140,032.6*	*33.24*
of which:												
United Kingdom, Ireland & Island (c)	*508*	*6.64*	*16,283.3*	*3.84*	*24,501,2*	*3.99*	*354.5*	*6.52*	*24,277.5*	*7.43*	*44,638.7*	*10.98*
Other countries	790.3	10.31	56,561.6	9.07	85,617.9	13.81	661.3	12.67	56,253.3	16.52	95,393.9	22.26
Dollar area	1,334.4	17.42	26,4345.9	46.87	275,092.8	44.47	786.6	14.86	58,428.5	17.38	40,590.7	9.63
O.E.E.C. countries (d)	3,723.2	47.61	94,359	17.74	140,540	22.89	2,681 –	50.64	143,851.4	42.93	175,293.3	41.84
Eastern Europe (including USSR) (e)	884.1	11.54	22,519.9	4.01	36,670.2	5.97	513.4	9.69	20,679.8	6.17	29,086.5	6.94
Other countries (f)	1,046.4	12.12	126,257	22.31	80,687.7	12.86	2,068	12.14	56,965	17	380,975.3	19.33
Total	7,778.4	100	564,043.4	100	618,608.6	100	6,710.3	100	336,178	100	421,339.7	100

(a) First 8 months; (b) The percentages are calculated on the total amount, net of trade with the Italian Colonies and possessions; (c) The data in italics, that represent totals already included in the sums of the other groups of countries, are not to be added up; (d) Austria - Benelux - Denmark - France - Greece - Ireland - Island - Norway - Netherlands - Portugal - United Kingdom - Sweden - Switzerland - Turkey - Western Germany; (e) Bulgaria - Tzechoslovacchia - Jugoslavia - Rumenia - Poland - Hungaria - USSR; (f) Argentine - Marocco - Palestine - Spain - Syria - Tunisia etc.

Source: *Statistica del Commercio con l'Estero, 1948-1949*; *Annuario Statistico 1938* of the Central Institute of Statistics.

EXCHANGE RATES IN ITALY
(monthly and daily averages) **Table V**

Date	Dollar		Pound Sterling		Cross-rate pound sterling-dollar		Swiss franc		French Franc	
	Italcambi buying rate (a)	Black market rate	Italcambi buying rate (a)	Black market rate	Italcambi buying rate (a)	Black market rate	Italcambi buying rate (a)	Black market rate	Clearing rate	Black market rate
1948										
March	573	663	1,838,75	1,535	3.20	2.31	137	161	1.63	1.80
June	575	582	1,955.25	1,615	3.40	2.77	142	145	2.20	1.65
September	575	617	1,940.75	1,678	3.37	2.72	145	158	2.20	1.49
December	575	658	2,317.25 (b)	1,936	4.03 (b)	2.94	144	164	2.15	1.35
1949										
March	575	673	2,317.25	2,068	4.03	3.07	141	171	2.15	1.68
June	575	620	2,317.25	1,832	4.03	2.95	141	156	1.75	1.72
September (1-18)	575	656 (c)	2,317.25	1,795 (c)	4.03	2.74	141	161 (c)	1.75	1.67
September 19 (d)	618	648	1,730.4	1,700	2.80	2.62	150	165	1.81	1.67
» 20	636.50	672.50	1,782.2	1,785	2.80	2.80	152	165	1.81	1.67
» 21	634.60	677.50	1,776.9	1,770	2.80	2.78	149.50	167	1.81	1.68
» 22	633.37	680	1,773.4	1,875	2.80	2.76	145	163	1.81	1.70
» 23	633.12	685	1,772.7	1,915	2.80	2.79	144.50	161.25	1.81	1.73
» 26	632.87	690	1,772.0	1,917.50	2.80	2.78	144.25	163.25	1.81	1.74
» 27	632.81	690	1,771.9	1,910	2.80	2.77	143.25	162	1.81	1.76
» 28	632.37	678	1,770.6	1,865	2.80	2.75	144	161.75	1.81	1.73
» 29	632.37	680	1,770.6	1,845	2.80	2.71	144	160	1.81	1.72
» 30	632.12	656	1,769.9	1,685	2.80	2.80	145.15	155	1.81	1.74

(a) See B. BROVEDANI, *Exchange Rate Structure and Price Levels in Italy: 1947-48*, in this Review, No. 6, July 1948, p. 369 et seq. See also: *International Financial Statistics*, September 1949, pp. 165 et seq.

(b) Since December 1948, under the Decree of November 27, 1948, there is not free market export rate for sterling, but a pegging rate, based on official change rate between sterling and dollar.

(c) Average for the whole month of September.

(d) A decree of *19th September 1949* stated that the 50 per cent of foreign exchange to be delivered to the Foreign Exchange Control (Italcambi) was to be bought by it at the average *daily* quotation on the legal free market instead of at the average quotation of the previous month.

Source: *Bollettino* of the Bank of Italy; *Informazioni per il Commercio Estero*, of the National Institute for International Trade; *Lettere d'Affari* of the Business Statistic Centre of Florence.

Table 2

CAPITAL, SHARE PRICES, AND DIVIDENDS OF ITALIAN COMPANIES QUOTED ON STOCK EXCHANGES

	Companies (a)	Face Capital (thousands of lire)	Nominal value of shares	Price at September 30, 1949 (b)	1948 dividend	Percentage of 1948 dividend on nominal value (c)	Percentage of 1948 dividend on prices at 30 September 1949
	Financial and Insurance						
1	Assicurazioni Generali	4,000,000	2,000	6,770	120.00	6.00	1.77
2	Finsider	7,200,000	500	571	32.50	6.50	5.69
3	G.I.M. (Soc. Gener. Industrie Metallurgiche)	360,000	400	1,250	40.00	10.00	3.20
4	Industrie Agricole Ligure Lombarda	765,000	1,500	10,975 (Ge)	120.00	120.00	1.09
5	Soc. Ital. Strade Ferrate Meridionali	10,296,000	500	2,452	45.00	9.00	1.83
6	La Centrale	3,750,000	3,000	7,790	240.00	8.00	3.08
7	La Fondiaria Incendio	150,000	125	650	20,00	16.00	3.07
8	L'Assicuratrice Italiana	150,000	500	920 (Tr)	25.00	5,00	2.71
9	Soc. Naz. Sviluppo Imprese Industriali	1,400,000	500	832	30.00	6.00	3.60
10	Pirelli & C.	288,000	100	1,210	15.00	15.00	1.23
11	Riunione Adriatica Sicurtà	2,400,000	1,250	2,155	50.00	4.00	2.32
12	S.T.E.T. (Società Torinese Esercizi Telefonici)	4,400,000	2,000	3,850	40.00	8.00	1.03
	Textile						
13	Chatillon	5,500,000	1,000	2,610	80.00	40.00	3.06
14	Cotonificio Cantoni	1,200,000	2,000	44,800	950.00	47.50	2.12
15	Cotonificio F.lli Dell'Acqua	48,300	100	17,000	95.00	95.00	0.55
16	Cotonificio Ligure	40,000	500	4,500 (Ge)	60.00	21.80	1.33
17	Cotonificio Valle Ticino	120,000	100	3,150	40.00	40.00	1.26
18	Cotonificio V. Olcese	500,000	500	9,080	500.00	208.33	5.10
19	Cucirini Cantoni Coats	1,800,000	1,000	8,650	—	—	—
20	De Angeli Frua	3,000,000	3,000	6,620	450.00	15.00	6.79
21	Filatura Cascami Seta	136,500	650	7,070	120.00	18.47	1.69
22	F.I.S.A.C. (Fabbriche Italiane Seterie e Affini)	210,000	100	832	20.00	20.00	2.40
23	Lanificio Feltrificio Scotti	60,000	40	155	3.20	8.00	2.06
24	Lanificio Gavardo	105,000	100	4,910	80.00	80.00	1.62
25	Lanificio Rossi	750,000	1,000	6,900	300.00	30.00	4.34
26	Lanificio Targetti	250,000	100	392	30.00	30.00	7.65
27	Lanificio Canapificio Nazionale	1,088.000	400	3,085	40.00	16.00	1.29
28	Manifatture Lane Borgosesia	225,000	600	10,125 (To)	400.00	66.67	3.95
29	Manifattura Rossari Varzi	500,000	1,000	15,950	450.00	60.00	2.82
30	Manifattura Rotondi	66,000	1,000	15,500	300.00	30.00	1.93
31	Manifattura Tosi	96,000	600	3,950	120.00	20.00	3.03
32	Manifatture Cotoniere Meridionali	1,080,000	300	2,500	60.00	20.00	2.40
33	Snia Viscosa	8,400,000	1,200	6,175	200.00	16.67	3.23
34	Tessiture Seriche Bernasconi	480,000	200	515	40.00	20.00	7.76
35	Unione Manifatture	61,600	1,000	177,000	1,200.00	120.00	0.67
	Electrical						
36	Soc. Adriatica Elettricità	11,000,000	500	1,072	17.50	7.00	1.63
37	C.I.E.L.I. (Comp. Impr. Elettriche Liguri)	16,000,000	2,000	2,013	100.00	8.00	4.96
38	Dinamo - Soc. Ital. Imprese Elettriche	5,000,000	900	2,567	54.00	10.80	2.10
39	Soc. Edison	75,000,000	2,000	2,081	90.00	6.00	4.32
40	Soc. Elettrica Bresciana	6,000,000	650	2,230	40.00	20.00	1.79
41	Soc. Elettrica della Campania	330,000	750	1,515	60.00	8.00	3.96
42	Soc. Elettrica Sarda	2,500,000	1,000	1,960	70.00	7.00	3.57
43	Soc. Elettrica Selt-Valdarno	5,600,000	2,500	3,950	160.00	8.00	4.05
44	Soc. Emiliana di Esercizi Elettrici	5,600,000	2,000	2,015	125.00	10.00	6.20
45	Esticino (già Soc. Elettr. Basso Milanese)	1,800,000	500	1,710	18.00	6.00	1.05
46	Soc. Gen. Elettr. della Sicilia	4,500,000	1,000	1,704	75.00	7.50	4.40
47	Soc. Gen. Pugliese di Elettricità	500,000	300	960	40.00	13.34	4.16
48	Soc. Idroelettrica Comacina	3,000,000	5,000	5,460	350.00	7.00	6.41

(a) Of about 20.000 Italian Joint Stock Companies only 211 list their securities on the Exchanges. The official list of the Milan Stock Exchange records quotations of 118 shares, of which only 80-90 are regarded as « active ». For instance, 31 shares where not dealt in on September 19, 1949, although the Exchange were particularly excited by the effects of the sterling devaluation.

(b) Official closing prices of the Milan Stock Exchange. For shares quoted on other Stock Exchanges the following indications are given: Fi=Florence; Ge=Genoa; Na=Naples; Ro=Rome; To=Turin; Tr=Trieste.

(c) The nominal value to which the percentage refers, is that resulting at the end of 1948 business year and does not necessarily coincide with figure stated in column 4, owing to the monetary revaluation of share face value carried out later by several companies.

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	Companies (a)	Face Capital (thousands of lire)	Nominal value of shares	Price at September 30, 1949 (b)	1948 dividend	Percentage of 1948 dividend on nominal value (c)	Percentage of 1948 dividend on prices at 30 September 1949
49	Soc. Idroelettrica Piemonte	20,000,000	750	940	53.00	7.07	5.63
50	Soc. Lucana Imprese Idroelettriche	120,000	250	—	20.00	8.00	—
51	Soc. Meridionale di Elettricità	15,120,000	600	804	16.00	6.40	1.99
52	Officine Elettriche Genovesi	4,500,000	2,000	1,915 (Ge)	80.00	8.00	4.17
53	Orobia	10,000,000	666	2,010	16.00	6.40	0.79
54	Ovesticino	5,000,000	600	1,165	80.00	13.34	6.86
55	Piemonte Centrale di Elettricità	1,364,000	200	438 (To)	16.00	8.00	3.65
56	Soc. Romana di Elettricità	5,600,000	2,000	3,350	120.00	8.00	3.58
57	Unione Esercizi Elettrici	1,504,000	200	399	16.00	8.00	4.01
58	Vizzola - Soc. Lombarda per distribuzione Energia Elettrica	4,750,000	1,250	4,110	100.00	10.00	2.43
	Communications, Water and Gas						
59	Soc. dell'Acqua Pia Antica Marcia	660,000	1,000	1,980 (Ro)	50.00	5.00	2.52
60	Acquedotto De Ferrari Galliera	1,575,000	200	1,400 (Ge)	24.00	12.00	1.71
61	Soc. per la Condotta di Acque Potabili	220,000	500	1,570 (To)	60.00	12.00	3.82
62	D. Tripcovich & C. - Soc. Navigazione Rimorchi e Salvataggi	225,000	400	6,910 (Tr)	350.00	87.50	5.06
63	Soc. Ferrovie Nord Milano	416,740	500	1,398	—	—	—
64	Ferrovie Torino Nord	600,000	100	109	5.00	25.00	4.58
65	Italcable - Servizi Cablografici Radiotelegrafici e Radioelettrici	1,400,000	1,000	3,010 (Ro)	60.00	6.00	1.99
66	Soc. Italiana Condotte d'Acqua	500,000	250	465 (Ro)	15.00	6.00	3.22
67	Soc. Italiana Gas	10,000,000	20	28	0.60	6.00	2.14
68	Soc. Italiana Strade Ferrate del Mediterraneo	774,333	1,500	1,930	60.00	4.00	3.10
69	Liquigas	600,000	200	598	20.00	10.00	3.34
70	Navigazione Alta Italia	375,000	230	7,000 (Ge)	400.00	173.92	5.71
71	Soc. Strade Ferrate Secondarie Meridionali	1,200,000	1,250	1,495 (Na)	75.00	6.00	5.01
72	Soc. Telefonica Tirrena	3,600,000	4,000	4,800	210.00	10.50	4.37
73	A.N.I.C. (Azienda Nazionale Idrogenazione Combustibili)	7,200,000	100	1,305	10.00	10.00	0.76
74	Soc. Elettrica Elettrochimica del Caffaro	257,250	250	1,760	50.00	20.00	2.84
75	Mira Lanza	810,000	400	3,015	120.00	120.00	3.98
76	Monte Amiata - Soc. Mineraria	328,000	400	1,340	40.00	10.00	2.99
77	Montecatini - Soc. Gen. per l'Industria Mineraria e Chimica	30,000,000	100	215	12.00	12.00	5.58
78	Rumianca	3,000,000	50	84.25	5.00	10.00	5.86
79	S.A.F.F.A. (Soc. Fabbr. Fiammiferi e Affini)	1,000,000	100	904	12.00	24.00	1.32
80	S.I.O. (Soc. Industrie Ossigeno e altri Gas)	180,000	180	1,040	27.00	15.00	2.59
81	Stabilimenti Chimici Farmaceutici Riuniti Schiapparelli	45,000	100	600	20.00	20.00	3.03
82	Stab. Minerario del Siele	164,736	100	720	24.00	24.00	3.33
83	Talco Grafite Val Chisone	200,000	500	6,000	150.00	30.00	2.50
	Minerals, Metals and Engineering						
84	Ansaldo	500,000	200	68	—	—	—
85	Cantieri Riuniti dell'Adriatico	200,000	100	243 (Tr)	—	—	—
	Comp. Ital. Westinghouse Freni e Segnali	420,000	300	470	25.00	8.33	5.31
86	Dalmine	3,000,000	250	1,290	100.00	40.00	7.75
87	Ercole Marelli & C.	1,000,000	500	510	35.00	7.00	6.86
88	Isotta Fraschini - Fabbrica Automobili	1,235,000	100	28	—	—	—
89	Edoardo Bianchi - Fabbrica Automobili e Velocipedi	1,344,000	50	160	10.00	20.00	6.25
90	Fabbrica Italiana Magneti Marelli	1,500,000	600	1,600	60.00	10.00	3.75
91	F.I.A.T.	12,000,000	200	402	15.00	7.50	3.73
92	Franco Tosi	2,550,000	250	170	—	—	—
93	Ilva	5,000,000	200	273	18.00	9.00	6.59
94	Ernesto Breda - Soc. Italiana per Costruzioni Meccaniche	1,125,000	300	157	—	—	—
95	La Magona d'Italia	1,000,000	700	3,620	180.00	36.00	3.97

(a) (b) (c) See foot-notes on page 188

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	Companies (a)	Face Capital (thousands of lire)	Nominal value of shares	Price at September 30 1949 (b)	1948 dividend	Percentage of 1948 dividend on nominal value (c)	Percentage of 1948 dividend on prices at 30 September 1949
96	Soc. Metallurgica Italiana	450,000	500	1,970	60.00	12.00	3.04
97	Soc. Monteponi	600,000	250	2,200	50.00	20.00	2.27
98	Soc. Naz. delle Officine di Savigliano	1,000,000	500	750	60.00	12.00	8.00
99	Soc. Nebiolo	1,200,000	200	264	25.00	12.50	9.46
100	Officine Elettroferroviarie Tallero	150,000	150	202	22.50	22.50	11.13
101	Officine Moncenisio - già Anon. Bauchiero	420,000	600	1,645	100.00	16.67	6.07
102	Pignone	1,000,000	500	510	—	—	—
103	Reggiane - Officine Meccaniche Italiane	4,000,000	100	56	—	—	—
104	S. Giorgio - Soc. Industriale	499,999	150	70,50 (Ge)	—	—	—
105	Tecnomasio Italiano Brown-Boveri	576,000	500	705	40.00	8.00	5.67
106	Terni - Soc. per l'Industria e l'Elettricità	10,500,000	200	272	16.00	8.00	5.88
107	Whitehead Moto-Fides - Stabilimenti Meccanici Riuniti	400,000	100	217	—	—	—
	Foodstuffs						
108	Distillerie Italiane	1,467,000	750	3,000	80.00	10.67	2.66
109	Eridania - Zuccherifici Nazionali	3,300,000	2,750	9,950	400.00	133.34	4.02
110	Soc. Ital. per l'Industria degli Zuccheri	2,100,000	3,500	10,300 (Ge)	375.00	150.00	3.64
111	Soc. di Macinazione Molini Certosa	24,000	75	2,000	30.00	40.00	1.50
112	Molini Alta Italia	270,000	225	6,600 (Ge)	180.00	80.00	2.72
113	Molini Antonio Biondi	60,000	200	715 (Fi)	30.00	15.00	4.19
114	Molini e Pastificio Pantanella	400,000	100	310 (Ro)	20.00	40.00	6.45
115	Motta - Soc. per l'Industria Dolciaria e Alimentare	250,000	1,000	1,970	16.00	16.00	0.81
116	Romana Zucchero	480,000	150	758	5.00	10.00	0.65
117	Semoleria Italiana	232,000	750	8,850	180.00	62.07	2.03
118	Venchi Unica - Soc. Prodotti Dolciari e Affini	312,480	50	228.50 (To)	10.00	20.00	4.37
119	Zuccherificio di Sermide	250,000	1,000	4,950 (Ge)	120.00	40.00	2.42
120	Zuccherificio del Volano	315,600	300	2,500 (Ge)	65.00	65.00	2.60
	Agricultural and Real Estate						
121	Soc. Bonifica Terreni Ferraresi	1,000,000	500	630	16.00	8.00	2.53
122	Comp. Italiana dei Grandi Alberghi	1,620,000	1,000	2,945	60.00	12.00	2.03
123	Eternit - Pietra Artificiale	892,500	100	650	12.00	12.00	1.84
124	Fondi Rustici - Soc. Agricola Industriale Italiana	85,000	100	1,180	10.00	10.00	0.84
125	Soc. Garboli	300,000	500	600 (Ro)	50.00	10.00	8.33
126	Soc. Generale Immobiliare	5,800,000	250	397	25.00	10.00	6.29
127	Istituto Romano Beni Stabili	1,366,100	1,000	3,400	35.00	3.50	1.02
128	Italcementi - Fabbriche Riunite Cementi	4,000,000	500	3,995	150.00	30.00	3.75
129	La Milano Centrale	28,125	75	2,530	6.00	8.00	0.23
130	Soc. pel risanamento di Napoli	324,000	1,350	5,025 (Ro)	67.50	5.00	1.34
131	Silos di Genova - Magazzini Generali Sbarchi ed Imbarchi di Cereali e Semi	36,000	200	5,600	130.00	65.00	2.32
	Sundry						
132	Cartiera Italiana	500,000	400	1,900 (To)	80.00	20.00	4.21
133	Cartiere Burgo	1,200,000	500	3,415	100.00	20.00	2.92
134	Soc. Ceramica Richard Ginori	270,000	250	1,380	50.00	20.00	3.62
135	Concerie Italiane Riunite	200,000	225	4,125 (To)	55.00	24.45	1.33
136	Industria Nazionale Cavi Elettrici	600,000	100	205 (To)	10.00	10.00	4.87
137	Soc. Ital. dei Forni Elettrici e dell'Elettrocarbonium	14,000	175	3,550 (Ro)	..	..	..
138	La Rinascente - Soc. per l'esercizio di Grandi Magazzini	500,000	25	95	2.00	8.00	2.10
139	Soc. del Linoleum	580,000	100	177.50	10.00	10.00	5.63
140	Manifattura Ital. C. Pacchetti	200,000	100	460	20.00	20.00	4.34
141	Pirelli - S. p. A.	12,000,000	500	906	50.00	10.00	5.51
142	Superga - Fabbriche Riunite Industria Gomma	945,000	125	—	—		—

(a) (b) (c) See foot-notes on page 188